The University of Chicago

TAXATION AND SUPPORT OF EDUCATION IN INDIANA

A PART OF A DISSERTATION SUBMITTED TO
THE FACULTY OF THE DIVISION OF THE
SOCIAL SCIENCES IN CANDIDACY FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

DEPARTMENT OF EDUCATION
1937

By
JOHN MILTON SELLERS

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The appendix tables to which references are made in certain parts of this study are found only in the complete dissertation, which is on file in the University of Chicago Libraries.

CHAPTER I

INTRODUCTION

The Nature of the Investigation

The problem proposed for investigation in this study is taxation and the support of public education in Indiana. The legislation pertaining to taxation for public education has been closely related to like legislation for civil purposes since the adoption of the first state constitution. Many of the laws have been enacted in times of economic stress, and at the time of their enactment were considered temporary legislation for purposes of meeting an emergency.

The general trend of thought and practice in revenue producing legislation for both school and civil purposes, as well as the trend toward local or state support for both school and civil purposes, has been much the same in Indiana as in other states, the tax system being amended gradually and in piecemeal fashion in response to the criticisms or demands of influential parties. The taxing program enacted by the Indiana legislature in 1933, however, with its allocation of new revenues to the school and civil units of government, as well as the attempts at broadening the tax base, constitutes an example of a systematic revision of the tax system in adaptation to general changes in social and economic life throughout the state. The study proposes to investigate specifically the financial support accorded to civil and school corporations in the State of Indiana during the period from 1924 to 1933 in order to determine the productivity of the new tax measures and their contribution to the solution of problems involved in the support of public functions.

As a basis of interpretation of the effects of the new tax program, comparisons are made of taxes gathered, assessed valuations, and indebtedness incurred for school and municipal corporations under the earlier and the later legislation. Such comparisons are made in detail for the local units of five counties of the state, chosen to represent the range from the wealthiest to

the poorest. The local units of all the counties are then summed and comparisons made for the state as a whole, using the counties as units of comparison. Consideration is given to the observable effects of the depression on the support accorded both school and municipal corporations.

Sources of Data

The data pertaining to assessed valuations and taxes gathered are taken from the records in the office of the Auditor of the State of Indiana. The data relative to bonded debt are taken from the records in the office of the State Board of Accounts. This material is compiled and published by the Legislative Bureau of the Indiana Library and Historical Department. All data relative to population for the state, counties, townships, cities and towns are taken from the United States Census, 1920 and 1930. The school census data were obtained from the records in the office of the State Superintendent of Public Instruction. All these records, with the exception of the school census data, have been certified by the State Board of Accounts. The records of Gross Income Tax collections were obtained from the office of the Gross Income Tax Division, the Excise Tax returns from the office of the Excise Division, and the Inheritance and the Intangible Tax returns from the office of the State Tax Board.

The Organization of the Study

The problem of financing governmental services was encountered even before Indiana became a state. Chapter II traces the legislative acts pertaining to taxation, from the earliest tax acts down to the present time. There is an attempt to discover the trend in thought on matters of taxation during this period and at the same time to present the tax legislation of the state in order to see how closely the legislation follows the critical thought in the field. The effect of debt on both the school and civil corporations is considered in Chapter III. The development of the local units of government under the restrictions of a constitutional debt limitation is described. The school and civil debt are compared as to amount, trends and rate of retirement. Trends of population and wealth are noted in relation to the

increase in the tax burden and its distribution.

The tendency for differences in ability to support government to be reduced as the size of the unit is increased is explained in Chapter IV. The per capita wealth and the per capita tax are compared for small and large units. The trends in expenditures for school and civil purposes in both small and large units are also compared. The variations in effort in the support of both school and municipal corporations and the effect of the period of economic adjustment on these variations are described in this chapter.

In Chapter V an attempt is made to show, by correlation technique, the effects of the tax laws enacted by the 1933 special session of the legislature, first, on the tax base and secondly, on the school corporations of the state. The counties are used as units for purposes of correlation. The county is the smallest unit for which records of tax receipts are kept from the Gross Income, Excise, Intangibles and Inheritance taxes. Records of receipts from the General Property tax are kept for the smallest governmental units. The correlations in Chapter V are significant and deserve rather careful consideration. The data used in the correlations are given in the appendix. Chapter VI is devoted to conclusions drawn from the other five chapters.

CHAPTER II

HISTORY OF TAX LEGISLATION IN INDIANA

Methods of Taxation Employed before the First Legislative Assembly

The territory which is now included within the boundaries of the State of Indiana, and which was formerly owned and occupied by the Miami Confederacy of Indians was claimed by the government of France from the time of the discovery of the mouth of the Mississippi by La Salle in 1682,[1] until 1763,[2] when it was, by treaty, relinquished to the government of Great Britain.

England held possession of the territory from 1763 until 1779.[3] General Clark captured Kaskaskia and Vincennes in 1778,[4] and Virginia appointed a county lieutenant for this territory. Virginia retained formal but not very effective jurisdiction over the territory until 1784,[5] when by a deed of cession it became the property of the United States. By the treaty of peace of 1783,[6] England gave up all claim to this territory.

From 1787 until 1800[7] it constituted a part of "The territory of the United States northwest of the river Ohio," and from 1800 to 1809[8] it formed a considerable portion of the very large region over which the jurisdiction of the Indiana territory extended.

The Ordinance of 1787 was passed by the Confederation Congress because of the pressure of land companies and because of the financial condition of the Congress.[9] The Ordinance provided

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[1]Carl Lotus Becker, Beginnings of the American People, p. 143. Boston: Houghton Mifflin Co., 1915.

[2]Ibid., p. 143. [3]Ibid., p. 266. [4]Ibid., p. 266.

[5]John B. Dillon, A History of Indiana, p. 180. Indianapolis: Bingham and Doughty, 1859.

[6]Ibid., p. 177. [7]Ibid., p. 408. [8]Ibid., p. 434.

[9]J. B. McMaster, A History of the People of the United States, p. 505. New York: D. Appleton & Co., 1886.

for a temporary government to consist of a governor, secretary, and three judges. These officers were to be appointed by the Congress. The Ordinance declared for freedom of worship, property rights common to Englishmen, prohibited slavery and primogeniture, and imposed a property qualification for voters. Schools and the means of education were forever to be encouraged as a necessary adjunct of free government.[1]

June 20, 1790, Knox County was organized. The county comprised all of Indiana and a large part of Illinois, Wisconsin, Michigan and Ohio. A sheriff, judges, notary and surveyor were appointed by the territorial governor. This was the first organized government in Indiana. The expense of surveying the land and the salaries of the new officers was discouraging to the French inhabitants of Knox County.[2]

The following quotation is taken from a memorial addressed to "Arthur St. Clair, governor and commander in chief of the territory northwest of the river Ohio," by P. Gibault, priest. There were eighty-seven other signers in addition to P. Gibault.

> Your excellency is an eye-witness of the poverty to which the inhabitants are reduced, and of the total want of provisions to subsist on. Not knowing where to find a morsel of bread to nourish their families, by what means can they support the expense of a survey which has not been sought for on their parts, and for which, it is conceived by them, there is no necessity? Loaded with misery, and groaning under the weight of misfortunes, accumulated since the Virginia troops entered their country, the unhappy inhabitants throw themselves under the protection of your excellency, and take the liberty to solicit you to lay their deplorable situation before Congress; and as it may be interesting for the United States to know exactly the extent and limits of their ancient possessions, in order to ascertain the lands which are yet at the disposal of Congress, it appears to them, in their humble opinion, that the expense of the survey ought more properly to be borne by Congress, for whom alone it is useful, than by them who do not feel the necessity of it. Beside, this is no object for the United States; but it is great, too great, for a few unhappy beings, who, your excellency sees yourself, are scarcely able to support their pitiful existence.

Previous to this attempt at taxation, the inhabitants of the territory had been called on to furnish supplies for the military expeditions against the Indians and the English. This particular method of taxation was termed 'impressments.' The citizen who furnished the supplies was issued a certificate which was

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[1]Dillon, op. cit., p. 206.

[2]Ibid., p. 225.

to be paid by the State of Virginia; however, very few of these certificates were redeemed.[1]

August 1, 1792, Governor St. Clair adopted and had published twenty-three statutes. One of these statutes was entitled, "An act directing the manner in which money shall be raised and levied to defray the charges which may arise within the several counties in the territory."[2]

May 29, 1795, Governor St. Clair and two judges of the Northwest Territory, John Symmes and George Turner, met at Cincinnati, and acted in a legislative capacity.[3] The acts adopted and made by this group are now known as the Maxwell Code and they remained the principal law of the territory until 1799. The act dealing with taxes and entitled, "A law for raising county rates and levies," was copied from the Pennsylvania code. The act provided for three commissioners for each county and for an assessor for each township. The assessor was elected annually by the voters of each township. The commissioners were appointed by the justices. The commissioners and assessors met together as a board for the transaction of county business; claims against the county came before the board and were passed or rejected according to merit. The board then made a levy on the property and polls of the county sufficient to pay the claims. The board elected a tax collector for each township. He took the tax duplicate from his assessor, collected the tax and turned it over to the county treasurer. When a citizen failed to pay his tax, the court instituted proceedings the same as for debt, taking his property and throwing the offender in jail in case there was not enough property to satisfy the tax claim. Any taxpayer could appeal to the board of commissioners, if he felt his taxes were too great. The commissioners also acted as a board of equalization. Public improvements and poor relief constituted the greater part of the business of these early officers. There is no mention of public education at this time.

Territorial Tax Legislation in Indiana

The territory attained a population of 5,000 in 1798 and in 1801 the first legislative assembly met in Cincinnati.[4] This

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[1] Ibid., p. 192. [2] Ibid., p. 297. [3] Ibid., p. 375.

[4] Ibid., p. 408.

legislature adopted the tax laws and procedure as they were being practiced by the territory at that time adding, however, an act levying a territorial tax on land. Under this act land was divided into three classes and the tax was graduated according to the class. For every hundred acres of first rate land the owner was taxed eighty-five cents; for every hundred acres of second rate land he was taxed sixty cents, and for every hundred acres of third rate land he was taxed twenty-five cents.

By the Ohio Enabling Act, April 30, 1802, the Northwest Territory was deprived of the territory that now forms the State of Ohio. A congressional act of 1804 attached that part of the Louisiana Territory north of the thirty-third degree of north latitude to Indiana; however, this territory was detached from Indiana by another act in 1805.[1] At the same session Congress detached the Michigan Territory from the Indiana Territory.

Governor Harrison declared in 1804, by proclamation, that the Indiana Territory had passed into the second grade of government as contemplated by the Ordinance of 1737 and ordered an election to choose members of a house of representatives.[2] This general assembly of Indiana Territory met at Vincennes in 1805 and among the five laws recommended by the governor for passage was one to provide ways and means of raising revenue. Governor Harrison, in speaking to the General Assembly, made the following statement:

> The most difficult and delicate of your duties, gentlemen, will be to create a revenue which shall be adequate to the expense of the government, without imposing too great a burden upon your constituents, and to appropriate, with the strictest frugality and economy, the sums which must be chiefly drawn from industry and improvement. Few, indeed, are the objects of taxation in a newly settled country. In the commencement of our financial operations, some trifling embarrassments must be expected: however, I trust they will be of momentary continuance.[3]

The poll tax seems to have been especially objectionable to the early inhabitants of Indiana Territory. A number of the residents of Vincennes presented a petition to the General Assembly withdrawing forever their confidence and support of those men who advocated or in any manner promoted the second grade of government.[4]

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[1] Ibid., p. 414. [2] Ibid., p. 414. [3] Ibid., p. 417.
[4] Ibid., p. 420.

The territorial congress in 1813 attempted to condense into one the several acts establishing a permanent revenue.[1] The land tax was placed at seventy-five cents per one hundred acres for the first rate land, fifty cents for second rate and twenty-five cents for third rate land. There was a tax of two dollars for every servant of color over twelve years of age. Every retail store was taxed twenty dollars. Town lots and improvements were subjected to a tax at the rate of fifty cents on every hundred dollars of their value. Their value was to be estimated by the commissioner, subject to an appeal to the court of common pleas. Taverns were taxed twenty dollars each, ferries ten dollars each and billiard tables fifty dollars each.[2]

Indiana Admitted to the Union as a State

Indiana petitioned congress December 28, 1815, for admission to the union as a state. The bill was approved and signed by the President April 19, 1816.[3] In this act congress made five donations to the prospective state. Section 16 of each congressional township was donated for public schools, one township for a seminary of learning, four sections of land as a site for a state capitol, all salt springs for the use of the people and five per cent of the net proceeds of land sales in Indiana, three per cent to be used by the General Assembly in opening roads in the state and two per cent to be used by the national congress to build roads to the state.[4]

The Indiana Constitution of 1816 required that the General Assembly provide by law for a general system of education, ascending in a regular scale from township schools to a state university, wherein tuition should be gratis and equally open to all.[5] This was the most democratic legislation concerning education enacted by any lawmaking body up to this date.[6] This constitution provided for a board of county commissioners who were to divide the county into townships, each township to have a lister, who is now known as assessor.[7] The state used the same system of assessment

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[1] Ibid., p. 519. [2] Ibid., p. 520. [3] Ibid., p. 554.

[4] Ibid., p. 566. [5] Ibid., p. 567.

[6] Logan Esarey, History of Indiana, p. 251, Vol. I. Fort Wayne: The Hoosier Press, 1924.

[7] Ibid., p. 255.

and tax levies as had been used by the territory.

The new state was exceedingly poor, its resources were undeveloped, its citizens were poor, and while there were some proper objects of taxation, their value was small. The revenue necessary to the support of the state government was drawn almost wholly from the landholders. The revenue necessary to the support of county government came from various sources, chief of which were the poll tax, tax on lands, town lots, horses, carriages, clocks and watches. These taxes were levied at a certain rate per one hundred dollars of valuation. These revenues were supplemented by license fees which were collected from merchants, retailers of liquors and tavern keepers. The system of classifying land as first rate, second rate and third rate for purposes of taxation continued until the year 1835. In 1817 first rate land paid one dollar, second rate eighty-seven and one-half cents, third rate fifty cents. In 1818 first rate land paid one dollar, second rate eighty-seven and one-half cents, third rate sixty-two and one-half cents. In 1821 first rate land paid one dollar and fifty cents, second rate one dollar and twenty-five cents, third rate seventy-five cents. In 1824 first rate land paid one dollar and fifty cents, second rate one dollar, third rate seventy-five cents. In 1831 first rate land paid eighty cents, second rate sixty cents, third rate forty cents.

The General Assembly made provisions in 1835 for levying taxes on land in proportion to its value. Each assessor was instructed to appraise taxable land, as he would appraise the same in payment of a just debt due from a solvent debtor. J. B. Dillon in interpreting the attitude of the general public of that day toward the new tax law says,

> The new mode of raising a State revenue, by the levying of a certain per centage on the value of taxable property, was, on its adoption, viewed by many persons as a measure of doubtful expediency; but a large majority of the people soon began to regard it as an equitable mode of taxation, and a part of the settled policy of the State government.[1]

In 1828 Indiana began an internal improvement program by accepting a gift of land from the federal government and agreeing by this acceptance to construct a canal uniting the Maumee and Wabash Rivers.[2] Having committed itself to a program of internal

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[1]Dillon, op. cit., p. 564. [2]Esarey, op. cit., p. 404.

improvement, the state undertook the construction of numerous other canals, turnpikes and railways, and by the year 1840 found itself hopelessly in debt, its credit impaired and its income from taxation shrinking annually. The state auditor reported that in 1840 the assessed valuation had dropped from about $107,000,000.00 to $91,000,000.00 and that the net income from taxation had also shrunk $170,000.00, leaving about $34,000.00 to pay interest on a bonded debt of $12,000,000.00.[1] By 1840 the internal improvement program was an acknowledged failure, so the state legislature, in an effort to stabilize the financial condition of the state, turned its attention to reorganization of the taxing system.

The legislature of 1840 enacted seven laws that directly concerned the taxing system of the state. The first law directed the county assessor to appraise the property of the county, both real and personal, at actual cash value. The county and state governments were to make their levies on the basis of this appraisement. The second bill provided for the office of county auditor, to be filled by popular election. The duties of the office, as defined in the statute, were: first, the distribution of all public revenue to the proper disbursing officials, and second, the proper handling and disbursement of all public permanent funds and their income. The third bill created the office of county assessor and defined his duties as mentioned in the discussion of the first law. The fourth law defined the duties of the county treasurer. The county treasurer was instructed to collect the taxes and to distribute the taxes on the order of the county auditor. The fifth law defined the manner in which the different levies were to be made. The second State Bank had been organized in 1834 and the portion of the stock owned by private individuals had been made exempt from taxation. The sixth law made the private stock of the State Bank subject to the same levies as other private property. The seventh act fixed a levy of forty cents to meet the interest on the state debt. This was the most complete and revolutionary change that had taken place in the tax system of Indiana. The state virtually followed this plan of taxation until 1933.[2]

The other states were experiencing much the same difficulties as Indiana in matters of taxation. There was a principle firmly established among the early colonists that they would pay

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[1] Ibid., p. 522. [2] Ibid., p. 523.

no tax unless they were privileged to vote for it, and there is abundant evidence that great numbers of the citizens of this period objected to paying any tax whatever.

The following quotation from Richard T. Ely's book, "Taxation in American States and Cities," would indicate that the attitude of the states east of the Alleghenies toward taxation as well as their financial condition was much the same as that of Indiana.

> There were few instances of state taxes before 1841, during the present century, and by that time people had learned to look upon taxes with great aversion. The state had recklessly lent its credit to aid in the construction of works of internal improvement, and it became embarrassed by their failure to meet expectations. So obstinate was the resistance to any taxation whatever, that repudiation was openly advocated as preferable to taxation. Better advice prevailed, and the present methods of taxation in Maryland were instituted in 1841.[1]

The attitude toward the payment of taxes and the fundamental concept of the nature of taxes themselves were undergoing serious changes during the period 1790 - 1841. From remote antiquity the payment of taxes had been the mark of a weak and subject people. Wars as conducted by the Greeks and Romans were revenue producing rather than consuming enterprises. The conquered were plundered, taxed and enslaved and the revenues realized in this process were used to the glory of the conquering state. During the Middle Ages the commons or weak inhabitants of a country seem to have been regarded in much the same manner as the conquered peoples were regarded by the Greeks and Romans. It has been said that in France the principle was widely accepted that the clergy protected the country by their prayers, the nobles by their arms and the commons by the taxes they paid. In so far as public finance was concerned, the commons within a nation itself were substituted for the conquered and enslaved of a foreign country. The poll tax found in Indiana today is reminiscent of medieval methods of taxation.

The early American colonists were, for the most part, opposed to any sort of taxation. Taxation was considered unnecessary and unjust. It was the general opinion that a country or state should be able to carry on the governmental functions without resorting to taxation. Maryland was supported by voluntary contributions until 1777; however, there was a certain tenor of

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[1]Richard T. Ely, Taxation in American States and Cities, p. 46. New York: Thomas Y. Crowell and Co., 1888.

compulsion and even of universality at this time, as the following quotation from Ely illustrates.

> In every county, contribution or subscription lists were presented to the inhabitants. If any person declined to contribute, his name and his refusal were noted, and then consequences followed which, in those times, were more serious than a tax sale. In one county the names of those refusing were directed to be recorded in perpetual memory of their principles; in others they were publicly declared by county resolutions enemies to America, and as such published in the Maryland Gazette reported to committees of observation, etc. As the unfortunates who were so injudicious as to allow themselves to be returned delinquent became the objects of distrust and aversion, and subjected themselves to the suspicion of Toryism, with its grave consequences of arrest, banishment, and confiscation, it will be readily believed that these means were capable of being very nearly as effective as compulsory taxation.[1]

Mr. Wolcott, Secretary of Treasury, in a report submitted to Congress in 1796 on the systems of taxation in the various states, reported that no direct tax had been levied in New York since 1788 and that no objects of taxation were defined by the laws nor any principles of valuation prescribed. The first direct state tax was levied by Pennsylvania in 1785. At the time the tax was levied, the hope was held by the people of Pennsylvania that they would be able to abolish taxes entirely in the near future. There had been no pressing need for taxation during the colonial period. The mother country had asked no assistance from the colonists. Rents had satisfied the demands of the proprietary or the company, who in turn promised at least partial protection. The public wants of the colonists had been simple and easily satisfied. There were few officials and the compensation of these few was usually in the form of fees. The chief objects of their contributions were churches, schools and highways, the latter only being compulsory. Fees, fines, forfeitures and payments for public lands supplied the early colonists with sufficient funds to care for public affairs. There were a number of queer objects of taxation resorted to during this period; Virginia had a window tax; practically all the states resorted to lotteries; Maryland had a tax on bachelors above twenty-five years of age; New York had a tax on wigs and there were many other taxes equally odd.

The most potent reason for Indiana's tax act of 1841 is to be found in the progress of democratic thought. It was becoming

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[1] Ibid., p. 38.

the general opinion that people should pay taxes in proportion to their ability. The old method of classifying real estate was not accurate. It was further observed that new forms of property were appearing and that the old specifications of property to be taxed failed to reach great masses of wealth. These apparent inequalities caused dissatisfaction.

Indiana held an election on August 5, 1850, in order to select delegates to a Constitutional Convention. The convention met October 7, 1850, and adjourned February 10, 1851.[1] The new constitution became effective November 1, 1851. The Constitutional Convention framed the portion of the constitution dealing with taxes in terms of the financial thought of that day. ARTICLE X of the constitution defines the fundamental policy of the state in regard to finance, and Section 1 of the article makes definite provisions in regard to taxation. Section 1 states:

> The General Assembly shall provide, by law, for a uniform and equal rate of assessment and taxation; and shall prescribe such regulations as shall secure a just valuation for taxation of all property, both real and personal, excepting such only for municipal, educational, literary, scientific, religious or charitable purposes, as may be specially exempted by law.[2]

ARTICLE IV of the constitution is definitive of the legislative branch of the government. Section 17 of this article specifies the particular place where revenue raising measures must originate, while Section 22 declares against local or special laws concerning taxation.

> ARTICLE IV. Section 17. Bills may originate in either house, but may be amended or rejected in the other, except that bills, for raising revenues shall originate in the House of Representatives.[3]

> ARTICLE IV. Section 22. The General Assembly shall not pass local or special laws in any of the following enumerated cases, that is to say:
> For the assessment and collection of taxes for state, county, township or road purposes:[4]

It has been the almost uniform opinion of the courts and of the legislatures of Indiana that the 'uniform and equal rate of assessment and taxation' clause precludes any possibility of a

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[1]Esarey, op. cit., p. 549.

[2]Indiana Yearbook, Constitution of Indiana, 1851, p. 784. Indianapolis: Wm. B. Burford, 1918.

[3]Ibid., p. 778. [4]Ibid., p. 778.

graduated income tax.[1] There have been those who argued that the 'uniform and equal rate of assessment' portion of the constitution would not be violated by the legislature, should they pass an act providing for the classification of property, the property of the different classes being subjected to a uniform and equal rate of assessment and valuation.[2]

The Constitution of 1851

The Constitutional Convention of 1851 followed a period of extravagant state expenditures. The convention was in doubt as to the wisdom of giving the state legislature authority to bond the state or to create any sort of state debt. ARTICLE X, Section 5, as quoted below, has had a profound influence on the state finances in Indiana.

> No law shall authorize any debt to be contracted, on behalf of the State, except in the following cases: To meet casual deficits in the revenue; to pay the interest on the state debt; to repel invasion, suppress insurrection, or, if hostilities be threatened, provide for public defense.[3]

The convention, evidently feeling that they had assembled a document of momentous consequence, wanting to be sure that any changed future generations proposed were the result of mature, deliberate and prolonged consideration, provided for the following method of amendment:

> ARTICLE XVI. Section 1. Any amendment or amendments to this Constitution may be proposed in either branch of the General Assembly; and if the same shall be agreed to by a majority of the members elected to each of the two houses, such proposed amendment or amendments shall, with the yeas and nays thereon, be entered on their journals and referred to the General Assembly to be chosen at the next general election; and, if in the General Assembly so next chosen, such proposed amendment or amendments shall be agreed to by a majority of all the members elected to each house, then it shall be the duty of the General Assembly to submit such amendment or amendments to the electors of the State, and if a majority of said electors shall ratify the same, such amendment or amendments shall become a part of this Constitution.

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[1]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 944. Indianapolis: Wm. B. Burford, 1923.

[2]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 875. Indianapolis: Wm. B. Burford, 1932.

[3]Indiana Yearbook, Constitution of Indiana, 1851, p. 784. Indianapolis: Wm. B. Burford, 1918.

> ARTICLE XVI. Section 2. If two or more amendments shall be submitted at the same time, they shall be submitted in such manner that the electors shall vote for or against each of such amendments separately; and while such an amendment or amendments which shall have been agreed upon by one General Assembly shall be awaiting the action of the succeeding General Assembly, or of the electors, no additional amendment or amendments shall be proposed.[1]

These constitutional provisions are introduced at this time because of their far reaching influence in the later tax history of Indiana. The Supreme Court ruled that a majority of the voters participating in a general election must vote for amendments before they were adopted.[2] The ratio between those voting for or against the amendment was not taken into consideration. The fact that most voters did not bother to vote either way on amendments had the same result in the final outcome of an election that would have occurred had they voted against the amendment. In January, 1935, the Supreme Court of Indiana held that a proposed amendment is adopted if a majority of those voting on the issue vote in favor of the amendment, regardless of the ratio between the total vote cast and the vote cast for the amendment.[3] This decision, it would appear, is a result of the awakening of legislatures and courts due to the stringent effects of general economic conditions.

Following the Constitutional Convention of 1851, the General Assembly of 1852 provided for boards of equalization in counties, congressional districts and the state.[4] Prior to the adoption of the Constitution of 1851, there was no state board to make original assessments of taxable property nor to review the assessments of county Boards.[5] However, during this early period, the state auditor was required to make original assessments of state bank stock and to review certain assessments made by county boards of review.[6] The statute of 1852 formed a county board composed of the county auditor, the appointed appraisers and the county commissioners. The district board was composed of the county auditors of the district, and the state board was composed of the

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[1] Ibid., p. 787. [2] State v. Swift, supra, 69 Ind. 505.

[3] In re Todd, 208 Ind. 168.

[4] Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 140. Indianapolis: Wm. B. Burford, 1918.

[5] Ibid., p. 139. [6] Ibid., p. 140.

state auditor and delegates selected by the district board. The state board was directed to equalize the assessments on real property, but was permitted to remain in session for a period of only ten days.

The Tax Act of 1872

The state was expanding rapidly during the Fifties and Sixties. Numerous railways were built, factories were opened, and wealth, heretofore represented by the tangible property for the most part, was assuming an intangible form, represented by various types of commercial paper. In 1872 the legislature revised the tax law of the state in an effort to place some of the tax burden on this new type of property. The new law provided for three forms of taxation: a direct property tax, a specific stock tax and a poll tax. The poll tax was levied on all males between the ages of 21 and 50.[1] Property was divided into tangibles and intangibles; under the tangibles they included real estate and such personal property as household goods, immovables on land, stock, tools and equipment, steamboats, watches and all other property of a like nature. Capital stock, franchises and such intangible property were to be assessed by the State Board of Equalization. Provision was made that where the tangible property of a corporation was assessed, the capital stock was not to be assessed. The same standard of valuation and the same rate was to apply to all intangibles as well as tangibles. The intent of the statute was to assess all property at the actual cash value.[2] The actual cash value was an estimate of what could be realized at a fair cash sale.

The State Board of Equalization was also reorganized at this time and given original jurisdiction in the assessment of telegraph, express and railroad companies.[3] Banks and other domestic corporations were also to be assessed by the state board. The personnel of the board was changed; the new board was composed of the Governor, Lieutenant-Governor, Secretary of State, Auditor of State, and Treasurer of State. Somewhat later the Attorney General

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[1]Philip Zoercher, Indiana Law Relating to the Assessment and Taxation of Property and Inheritance Tax Law, sec. 2, p. 11. Indianapolis: Wm. B. Burford, 1930.

[2]Ibid., sec. 3, p. 11. [3]Ibid., sec. 191, p. 201.

was made a member of the board. Telegraph companies, express companies, railroads, banks, mills and factories were described in detail, and it was specified how, when and where these types of property were to be assessed. A little later the assessment of domestic corporations was taken from the state board and placed in the hands of the county assessor, in whose county the corporation was located. Provision was made for an annual appraisement of all personal property and for the biennial appraisement of real estate. The state board met on the years coincident with real estate appraisals.

The act also provided for a county board of review, composed of the county auditor, county commissioners and assessors of the various townships of the county.[1] The county board was to equalize the assessments of the various townships within the county. Mortgaged real estate was considered the property of the mortgagor and no provision was made for exemptions.

The Tax Act of 1891

This was the last major revision of the Indiana law relating to the assessment and taxation of property until the special session of 1933; however, during this period, there was scarcely a meeting of the legislature that did not enact minor changes of the tax laws. In 1891 an act created the State Board of Tax Commissioners; previously the board was called the State Board of Equalization.[2] This new board was composed of the Governor, Secretary of State, Auditor of State and two appointive members not of the same political party. The legislature in 1907 dropped the Governor from the commission and provided for a third appointive member; of the appointive members, only two may be of the same political party.[3] The composition of this board has remained the same since 1907.

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[1] Ibid., sec. 164, p. 170

[2] Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 140. Indianapolis: Wm. B. Burford, 1918.

[3] Ibid., p. 140.

The Problem of Just and Equitable Assessments

Legislatures since 1872 have been primarily concerned with the intangible property of the state and by far the greater part of the tax legislation has been enacted in an effort to place this property on the tax duplicates. The problem of just and equitable assessments has also claimed considerable attention. The small local taxing units find that the lower the assessments the less state and county taxes they are forced to pay, while the local taxes are not affected to any great extent by either high or low assessments. The legislative assembly of 1891, in an effort to secure more equitable assessments, enacted a law which specified that property should be assessed at its 'true cash value.' Judge Timothy E. Howard, author of the 1891 act, in an address delivered before the county assessors in 1910 said:

> At the time of the enactment of the law of 1891, our financial system had almost reached the point of breaking down under the weight of its own cumbersomeness, disorganization and general inefficiency. The counties were at war with one another, each seeking, by under-valuation of its property, to escape from its own just share of the public burdens. . . . . No sooner had the measure received the signature of the Governor than it began to be assailed on all sides, by press and people. . . . . One-half the press, and many leaders of public opinion, attacked the law indiscriminately, not condescending to give any reasons, but making outrageous and inconsistent accusations against it, as that it was in opposition to the general welfare of the people and enacted in the interests of corporations. The remainder of those concerned, both press and people, either remained silent or gave but a half-hearted defense of the new legislation.[1]

The State Board of Tax Commissioners in its report of 1912 discussed the problem of assessments and the law of 1891 in the following manner:

> When the present law was enacted in 1891, its author. . . . intended that property should be assessed at its actual cash value, but adequate administrative machinery had not then been provided and the only chance to enforce the law, as written, was lost with the first assessment. . . . . The general property tax without full valuation is like a ship without a rudder. When it is left to the discretion of each individual assessing officer, as to what percentage of its full value he will assess various items of property, there will be as many kinds of assessments as there are assessing officers.[2]

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[1]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 1076. Indianapolis: Wm. B. Burford, 1922.

[2]Ibid., p. 1077.

The Honorable Thomas R. Marshall, while Governor of the state, in an address to the annual conference of county assessors in 1910 said:

> You and I know that there are counties in the State of Indiana, adjacent to each other, of like soil, of like improvements, alike in every particular, where one county is paying less than the other county is paying upon the real estate.[1]

Governor Ralston in his message to the legislature in 1915, recognizing the inequalities of the tax burdens in Indiana, called attention to the small taxing units and the inefficient methods of appraisement. The following quotation from the Governor's message seems to express the official opinion of the day.

> It is argued that we do not now have uniformity and equality in the laying and collecting of taxes and I concede that we do not, but the fault is with the public officials sworn to obey and enforce the law and not with the people's supreme law.
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> It is a notorious fact that county assessors have been known to consent to the listing of property for taxation at a gross undervaluation, particularly when compared with the assessments of similar classes of property in adjoining counties. Such further amendments should be made in the tax laws as will secure a more nearly equal assessment of property in the first instance by the local authorities. This, in my judgment, can best be done by providing for the removal of the county assessor by the state board for cause, after due hearing, and for the appointment of his successor by that board.
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> It is the duty of the county board of review, among other things to equalize the valuation of property as between the various townships of their county. This duty has often been neglected. The law should give the state tax board the power to equalize these valuations between townships in all cases where the county board of review fails to do so.[2]

The legislature of 1915 failed to make any changes in the tax law, but enacted the following law providing for a commission on taxation whose duties are defined in the following quotation from that act:

> To investigate the problem of taxation in Indiana, and shall consider what changes in the constitution and laws relating to taxation are needed to make a just and equitable system of taxation and shall make such investigations as may be practicable through printed reports and the testimony of experts as to taxation reform in other states. The commission shall hold such hearings as it may deem advisable and invite the testimony of interested parties and experts, and shall make a report to the Governor for transmission to the legislature not later than January 1, 1917, together with the drafts of any bills which the commission may desire to submit to carry out its recommendations.[3]

The tax commission employed Prof. Robert A. Campbell of

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[1] Ibid., p. 1077. [2] Ibid., p. 1078. [3] Ibid., p. 1079.

Cornell University to make an investigation in thirty-six counties of the state. The result of Prof. Campbell's study appeared in a printed report of over four hundred pages. The following quotation from the commission's report sustains the indictment of the officials previously quoted:

> Any school boy can understand that under a general tax system such as exists in this state, all inequality of taxation is inequality of assessment. . . . . Our investigations show that there are three counties in the state in which the average assessment is 25 per cent of true value or less; and there are three counties in which the average assessment is as high as 75 per cent of true value. In other words, the latter three counties are paying three times as much state tax, in proportion, as the former three counties. The assessments in other counties range between these extremes. . . . .
>
> But the most glaring inequality is between individuals. As shown by the investigations the average of the class of lowest assessment is 14.7 per cent of true value, and the average of the class of highest assessments is 146 per cent of true value. In other words, one class of taxpayers is paying ten times as much taxes, in proportion, as the other class. It is also shown that as a rule the high assessments are on the smaller properties, the classification by values showing a steady decrease in ratio of assessment as the properties increase in value. . . . .
>
> The tax system of Indiana is therefore a legalized--or rather tolerated--system of robbing the small property owner for the benefit of a comparatively small body of large property owners.[1]

The legislature in 1919 attempted to equalize the burdens of taxation by increasing the power of the State Board of Tax Commissioners.[2] The board was given the authority to review and reassess any property in the state. It was generally believed that some central authority such as the State Board of Tax Commissioners, by devoting its entire time to a study of the problems of taxation, should be able by the proper use of this power of review and reassessment, to equalize the burdens of taxation. The State Board of Tax Commissioners was also given control of tax levies and bond issues.[3] Under the new grant of power the tax commissioners were able to raise the net assessed valuation of the state from $2,233,761,065 in 1918 to $5,749,258,800 in 1919. The power given the board over bond issues and tax levies was a departure from the established routine, and those interested in spending the tax money began a campaign against the new law.[4] All the home rule arguments

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[1] Ibid., p. 1079. [2] Ibid., p. 1081. [3] Ibid., p. 1082.
[4] Ibid., p. 1083.

were used against any sort of centralized authority. In 1919 the legislature repealed the section of the law which had given the board power over tax levies and bond issues.[1]

The legislature in 1921 enacted a new law giving local officers authority over bond issues and tax levies. However, on a petition signed by ten or more taxpayers, the state tax board was to acquire jurisdiction.[2] The authority of the state tax board is further limited in that under no circumstance can it increase any bond issue or tax levy.[3] It can only approve or reduce tax levies or bond issues on petition as mentioned above. This effort at centralized control of appraisement, tax levies and bond issues has received considerable favorable comment by students of taxation and is quite generally known as the 'Indiana Plan' for controlling expenditures.

The Budget Law in Indiana

The legislature, realizing that the right to appeal would be of little consequence unless provision was made to inform the taxpayer of the contemplated expenditures of the different units of government, amended Section 200 of the tax law of 1921. This law, as amended, provides that the several tax levies shall be established by the proper legal officers of any municipal corporation after the formulation and publication by them of a budget on forms prescribed by the State Board of Accounts, showing in detail the money proposed to be expended during the succeeding year, the valuation of all taxable property within the jurisdiction, and the rate of taxation which it is proposed to establish. The law further provides that a public hearing, at which any taxpayer shall have a right to be heard, must be held within the taxing unit before the adoption of the budget and that a ten days' notice of such meeting must be given by publication in two newspapers of opposite political parties. The different units of government are then required to limit their expenditures to the amounts set up in the budget.[4] The form of the budget sets out the amounts spent the three preceding years and the balances on hand so that the taxpay-

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[1] Ibid., p. 1084. [2] Ibid., p. 1085. [3] Ibid., p. 1085.

[2] Graves v. Berry, 207 Pac. Rep. 718.

ers may know whether the tax burdens are increasing or decreasing.[1]

In 1921 the State Tax Board reviewed tax levies in forty-two taxing units and reductions were made in thirty-nine instances.[2] In 1931 the tax levies in two hundred and ninety-nine taxing units were reviewed and two hundred eleven reductions were made.[3] There is undoubtedly an indirect benefit accruing to the taxpayer from this law in that the right to ask for review is always present and has a corrective effect on the tax spenders.

The Inheritance Tax Acts

The state made its first attempt to supplement the general property tax in 1913 by levying a tax on the right to succeed to property. This act was amended in 1915, 1917, 1919 and 1921. In 1929 a new statute was passed setting up new tables of rates, and it became effective immediately. This act was repealed in 1931 and a new law enacted, again setting up new tables of rates and a new classification of beneficiaries. Exemptions are provided for the different classes and a graduated tax is imposed on each class, the rate increasing as the amount the beneficiary receives increases. The act designates three classes of beneficiaries, each class being determined by the degree of relationship of the beneficiary to the deceased. The rate at which the estate is taxed varies first as to class, and second as to amount. The Class A beneficiary pays from one per cent to ten per cent on that portion of the estate which is not exempted from the tax; the Class B beneficiary pays from five per cent to fifteen per cent, while the Class C beneficiary pays from seven per cent to twenty per cent. This tax, when first imposed, was used for the construction and maintenance of highways; later the proceeds of the tax were diverted to the general fund of the state.

The Store License Law

The 1929 session of the legislature passed a revenue

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[1]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 1008. Indianapolis: Wm. B. Burford, 1924.

[2]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 633. Indianapolis: Wm. B. Burford, 1931.

[3]Ibid., p. 633.

measure ordinarily referred to as the 'Store License Law.' The act was amended in 1933. The rather extensively amended act provides for license fees to be paid by the store operator. The fees or tax levied on the operator of one store is three dollars annually; on each store in excess of two but not to exceed five, the fee is ten dollars annually; on each store in excess of five, but not to exceed ten, the fee is twenty dollars annually; on each store in excess of ten but not to exceed twenty, the fee is thirty dollars annually; on each store in excess of twenty, the license fee is one hundred fifty dollars annually. The law seems to have been a legislative attempt to smooth economic inequalities that are supposed to accrue to the large buyer rather than a measure to produce revenue.[1]

The Licensing of Automobile Owners

Indiana's first law requiring the owners of automobiles to pay a license fee or tax for the privilege of using the roads of the state was enacted by the General Assembly of 1905. The law defined an automobile and stated that each owner of an automobile should possess a metal seal, circular in form and two inches in diameter. In addition to the seal he should display a metal plate on the rear of the car. Numerals were stamped on the plate in order to identify both the owner and the car. A fee of one dollar was charged for the plate and the license remained in full force as long as the owner retained the car. In 1912 there were about 50,000 automobiles in use in the state. The rapid increase in traffic was destroying the roads. In 1913 an annual license fee was placed on each car and provision made to return the taxes then collected to the counties. These taxes were used solely for the repair and construction of roads. The automobile department received $462,609.28 for the year 1914.

The Tax on Gasoline

The first collection of a gasoline excise began in June, 1923. The collections for 1923 amounted to $1,309,925.73. The

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[1]Indiana Yearbook, Report of the State Board of Tax Commissioners, p. 636. Indianapolis: Wm. B. Burford, 1931.

collections reached their peak in 1931 when $19,012,427.16 was collected from the gasoline excise and $6,282,796.39 for auto license fees. It was the intention of the legislature, as stated in these laws, that both of these taxes be used for building and repairing highways. The local units of government, such as counties, townships, towns and cities have attempted to gain a portion of these taxes since the passage of the acts. In 1931, of the total collections amounting to $25,295,223.55, only $19,396,533.99 found its way to the State Highway Commission, the remainder, less cost of collection and administration, being distributed to the smaller units of government. The state auditor, reporting the receipts and disbursements of the gas excise for the year 1930, has the following notation: "During the fiscal year, $145,000.00 was collected from tax dodgers and bootleggers."[1] The high excise on gasoline offers a reward to the smugglers; however, the total tax collected would indicate that the tax collecting agency was functioning with considerable efficiency.

Due to the precipitate fall in the value of all capital goods in 1929, the legislature in 1933 found the state and every taxing unit in the state facing bankruptcy. The total assessed valuation of the state in 1931 was $5,073,611,146, while in 1932 it had fallen to $3,994,597,946. To further complicate matters, the 1931 session of the legislature had enacted a tax limitation law setting $1.50 as the maximum tax levy for all taxing purposes. The governor called a special session of the legislature in 1933 for the specific purpose of considering revenue measures that would permit the state to continue the governmental services that previously had been undertaken. Numerous revenue measures were proposed at this session of the legislature. Most of the measures were sponsored by interested groups. Any tax legislation in Indiana must run the gauntlet of the 'constitutionality test' in the courts of the state. The need for new tax legislation and the effects of the tax legislation that resulted from this session of the legislature are the principal subjects of inquiry in this study. This session of the legislature enacted five new tax laws: The Gross Income Tax Act of 1933, An Act Concerning Alcoholic Beverages, Taxation of Banks and Savings Banks Act of 1933, Building and Loan

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[1]Indiana Yearbook, Report of Auditor of State, p. 103. Indianapolis: Wm. B. Burford, 1930.

Associations Act of 1933, and General Intangibles Act, 1933.

The Gross Income Tax Act of 1933

The Gross Income Tax Act was approved February 27, 1933, and went into effect May 1, 1933. The act levies a tax of one-fourth of one per cent on the gross income of all manufacturers, wholesalers, farmers and enterprisers engaged in the extractive industries, such as mining, quarrying and oil production. On all other income, such as retailing, personal service, professional service, transportation service, telephone or telegraph service, power production and pipe line transportation, the act levies a tax of one per cent. The act also provides for an exemption of one thousand dollars on all income. The revenue secured from this source is credited to the state general fund each month. The revenue secured from the Gross Income Tax as well as the revenue received from the Store License Law is not earmarked in any way but flows to the state general fund, thus permitting the legislature to use it to the greatest social advantage.

The Alcoholic Beverages Act

The Alcoholic Beverages Act was approved on March 1, 1933, and became operative April 7, 1933. The act is administered by the Excise Division of the Department of Public Works. This particular act regulates and controls the manufacture, bottling, possession, sale and delivery of alcoholic beverages. The revenue portion of the act operates in two ways: first, as an excise, and secondly as a privilege tax. There is an excise of five cents per gallon on beer, two cents per gallon on malt, twenty-five cents per pint on whiskey, and fifty cents per gallon on alcoholic vinous beverages. The permits are classified as manufacturer, importer, wholesaler and retailer permits and it is necessary to have a separate permit to trade in beer, malt, whiskey or alcoholic vinous beverages. These permits vary greatly in cost. A retailer's permit to sell beer costs $300.00; a malt permit costs $5.00; a whiskey permit costs $25.00; an alcoholic vinous beverages permit costs $100.00. A wholesaler's permit to merchandise beer costs $1000.00; a malt permit costs $25.00; a whiskey permit costs $250.00; an alcoholic vinous beverages permit costs $2500.00.

A manufacturer's permit to manufacture beer costs $2500.00; a malt permit costs $50.00; an alcoholic vinous beverages permit costs $1000.00. The importer's permits are issued for beer only and cost $2500.00. The act provides that one-half of the fees collected for permits to wholesale, import or merchandise at retail shall be paid monthly to the treasurer of the city or town in which the holder of the permit is located, and shall become a part of the general fund of such city or town. Where the establishment is located outside of any city or town, one-half of the fees collected shall be paid to the county treasurer and shall be credited to the general fund of the county. There is the further provision that after the expenses of the department are paid, all of the remainder of the funds shall be distributed semi-annually, on the first days of May and November, among the several taxing units of the state on the basis of the school enumeration, and that such distribution shall constitute a part of the tuition fund.

The Bank and Savings Bank Act of 1933

The Bank and Savings Bank Act of 1933 provides that the banking institution pay one-fourth of one per cent on all deposits, capital stock, surplus and undivided profits less any real estate holdings. The bank may elect to pay the tax on deposits and capital stock, or by not electing to do so may pass the burden to the owner. The banks of the state generally have elected to pay the tax. Section 15 of the act provides that such taxes shall be apportioned, credited and paid by the treasurer for the benefit of the state, county and local taxing unit wherein such bank or trust company is located, in the same manner as taxes from real estate are apportioned and credited by such treasurer in the taxing unit wherein such bank or trust company is located.

The Building and Loan Association Act of 1933

The Building and Loan Association Act of 1933 provides for the levying of a tax of one-fourth of one per cent on each one hundred dollars of the paid in value of its shares of capital stock and surplus, after deducting the book value of all real estate, tangible personal property, sheriff's certificates and loans secured by pledges of capital stock of the association. The tax is

to be paid to the county treasurer for the benefit of the state, county and local taxing units. The act specifies that the revenue be distributed in the same manner and in the same proportion as taxes from real estate are apportioned and credited by such treasurer in the taxing unit where the principal office of the association is located.

The General Intangibles Act of 1933

The General Intangibles Act of 1933 defines intangibles and provides that a tax of one-fourth of one per cent be levied on all such property. A penalty of four times the tax is provided for failure to comply with the law. Any intangible of a contractual character is not enforcable in the courts of the state if one does not comply with the provisions of the law.[1] The act makes the following provision for the distribution of the revenue:

> Of the revenues collected under the provisions of this act the costs and expenses of preparation and distribution of stamps shall be paid. The state shall retain in its general fund ten per cent of the net proceeds so collected. The remaining moneys shall be distributed and paid to the treasurers of the several counties in the proportion that the assessed valuation of the real property of each county bears to the aggregate assessed valuation of the real property of the state. Of the moneys so distributed to the respective county treasurers, (a) twenty-five per cent shall be paid into the general fund of the county and (b) the remaining seventy-five per cent shall be apportioned, credited and paid to the school funds of the respective township, city and town taxing units of said county in the proportion that the assessed valuation of the real property of each taxing unit bears to the aggregate assessed valuation of the real property of the county.[2]

The last five acts are of interest to the educator as well as the student of taxation. Education had been supported almost wholly by the General Property Tax until the passage of these acts. While the revenue measures themselves make no further provisions than mentioned above for the support of schools, the General Assembly of 1933 provided in Chapter 96 of the Acts of 1933 that upon the order of the State Board of Finance, the Auditor of the State shall transfer from the general fund of the state to the common

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[1] Proceedings of the Thirty-Fifth Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 39. Fort Wayne: Fort Wayne Printing Co., 1936.

[2] The Indiana Intangibles Tax Acts, sec. 22, p. 15. Indianapolis: Wm. B. Burford, 1933.

school revenue fund, such amount of money as may be available for the respective school corporations of the state. The sum so transferred each year is limited to $600.00 for every teaching unit in the state. One half shall be transferred on the first day of January and the other half on the first day of July. A teaching unit is defined as an average daily attendance of thirty-five in the first eight grades and twenty-five in the last four grades.

The General Property Tax in Indiana

The situation in Indiana with respect to the General Property Tax is fairly well represented by Table 1 and the accompanying chart. The data assembled in Table 1 and the chart show the assessed valuation, population, taxes charged and per capita tax for the period 1816 - 1933. Since relative rather than absolute variation is of greater interest in comparing these data, the semi-logarithmic type chart is used. The chart is scaled logarithmically on the y-axis and arithmetically on the x-axis. The relative change in the series may be compared by comparing the distance between the series. In this chart equal percentage variations are represented by equal vertical distances. The valuation series is drawn to the scale on the right side of the chart, while the taxes gathered and population series are plotted to the scale on the left side of the chart. In comparing taxes gathered and valuations it is necessary to add one cycle to the differences determined. The general trends of the two series are not affected in any way by this procedure.

The year 1849 is used for comparative purposes, since the free public school was at this time making its first demands on the public purse. The per capita tax in Indiana was $1.23 in 1849, but by 1929 had increased to $46.90. The per capita tax of 1929 is 38.1 times as great as the per capita tax of 1849. The actual percentage increase is 3,810. The assessed valuation in 1849 was $127,051,165, or about one-eighth billion dollars. The assessed valuation in 1929 was $5,166,896,475, or about five and one-sixth billion dollars. The assessed valuation of 1929 is about 40.6 times as great as that of 1849, or again expressing this gain in per cent, the assessed valuation of 1929 is about 4,067 per cent of that of 1849. In 1849 the total tax gathered for all purposes in the State of Indiana amounted to $1,166,834, while in 1929 the

TABLE 1

POPULATION, TOTAL NET ASSESSED VALUATION, TAXES CHARGED FOR ALL PURPOSES AND PER CAPITA TAX IN INDIANA, 1816 TO 1933, INCLUSIVE

Year	Population	Valuation	Taxes Charged	Per Capita Tax
1816	56,838	$ (1)	$ 10,000 (2)	$ .18
1817	86,423	(1)	17,953	.21
1818	106,008	(1)	17,486	.16
1819	127,593	(1)	12,412	.10
1820	147,178	(1)	17,000	.12
1821	166,763	(1)	47,517	.28
1822	186,348	(1)	25,174	.14
1823	205,933	(1)	35,643	.17
1824	225,519	(1)	61,706	.27
1825	245,104	(1)	21,594	.09
1826	264,689	(1)	30,867	.11
1827	284,274	(1)	46,546	.16
1828	303,860	(1)	43,321	.14
1829	323,445	(1)	41,024	.12
1830	343,031	(1)	65,344	.19
1831	377,314	(1)	115,162	.30
1832	411,597	(1)	97,683	.24
1833	445,881	(1)	122,139	.27
1834	480,065	(1)	106,797	.22
1835	514,348	(1)	107,715	.21
1836	548,632	(1)	120,127	.22
1837	582,915	(1)	98,207	.17
1838	617,199	90,238,612	195,966	.32
1839	651,482	107,037,715	186,653	.29
1840	685,866	91,756,018	1,694,158	2.47
1841	716,121	95,518,763	451,637	.63
1842	746,376	109,173,610	1,748,860	2.32
1843	776,631	103,709,853	891,934	1.15
1844	806,886	115,590,065	1,844,240	2.29
1845	837,141	118,615,197	1,132,414	1.35
1846	867,396	122,265,686	874,461	1.01
1847	897,651	124,558,060	794,025	.88
1848	927,906	128,960,986	1,245,306	1.34
1849	958,161	172,051,165	1,166,834	1.23
1850	988,416	137,443,565	1,332,703	1.34
1851	1,024,617	210,973,643	1,635,912	1.60
1852	1,060,818	218,593,800	1,568,954	1.48
1853	1,097,019	226,097,614	2,309,748	2.10
1854	1,133,220	290,418,148	2,307,707	2.04
1855	1,169,421	280,648,554	2,830,606	2.42
1856	1,205,622	279,032,209 (3)	2,865,619	2.38
1857	1,241,823	317,932,958 (4)	2,459,336	1.98
1858	1,278,024	318,204,964	3,142,177 (5)	2.46
1859	1,314,225	435,367,862	3,825,018	2.91
1860	1,350,428	455,011,378	3,768,427	2.79
1861	1,383,449	441,562,339	4,096,943	2.96
1862	1,416,470	421,406,936	3,998,028	2.82

TABLE 1 - Continued

Year	Population	Valuation	Taxes Charged	Per Capita Tax
1863	1,449,491	$ 443,455,036	$ 4,930,732	$ 3.40
1864	1,482,512	516,805,999	7,057,367	4.76
1865	1,515,533	567,381,553	13,167,335	8.69
1866	1,548,554	578,484,109	10,167,834	6.57
1867	1,581,575	577,869,079 (6)	10,394,537	6.57
1868	1,614,596	587,970,549	10,398,005	6.44
1869	1,647,617	655,521,479	10,312,333	6.26
1870	1,680,637	662,283,178	11,462,946	6.82
1871	1,710,403	653,944,159	10,196,142	5.96
1872	1,740,169	653,367,451	9,827,932	5.65
1873	1,760,935	933,581,067	12,177,520	6.88
1874	1,799,701	954,857,475 (7)	11,243,234	6.24
1875	1,829,467	897,739,783	11,154,411 (5)	6.10
1876	1,859,233	864,720,440	11,065,588 (5)	5.95
1877	1,888,999	877,380,958	10,976,765	5.81
1878	1,918,765	874,921,062	10,901,082 (5)	5.68
1879	1,948,531	883,443,410	10,825,398 (5)	5.56
1880	1,978,301	764,287,517	10,749,715	5.43
1881	1,999,711	804,019,935	10,522,666	5.26
1882	2,021,121	804,910,267	11,718,251	5.80
1883	2,042,531	920,569,421	12,320,794	6.03
1884	2,063,941	839,348,960	12,993,405	6.26
1885	2,085,351	837,770,099	12,610,855	6.05
1886	2,106,761	809,466,401	12,925,754	6.13
1887	2,128,171	821,473,364	13,014,198	6.12
1888	2,149,581	831,287,368	13,497,406	6.28
1889	2,170,991	842,016,406	14,200,528	6.54
1890	2,192,404	852,673,038	14,289,792	6.51
1891	2,224,410	1,255,256,038	17,510,426	7.87
1892	2,256,816	1,267,438,065	18,037,758	7.99
1893	2,289,222	1,302,310,270	19,024,975	8.31
1894	2,321,628	1,295,106,415	18,891,581	8.14
1895	2,354,034	1,286,050,531	19,574,630	8.31
1896	2,386,440	1,292,641,177	20,135,375	8.44
1897	2,418,846	1,295,965,056	20,862,150	8.62
1898	2,451,252	1,311,508,008	21,354,801	8.71
1899	2,483,658	1,335,746,698	21,659,395	8.72
1900	2,516,462	1,326,055,245	21,825,127	8.67
1901	2,534,903	1,362,812,247	24,136,131	9.52
1902	2,553,344	1,378,041,916	25,695,507	10.06
1903	2,571,785	1,433,372,547	28,006,888	10.89
1904	2,590,226	1,467,434,958	27,968,125	10.80
1905	2,608,667	1,552,489,964	31,726,530	12.16
1906	2,627,108	1,591,281,151	33,515,279	12.76
1907	2,645,549	1,767,815,487	36,050,275	13.63
1908	2,663,990	1,723,311,564	37,319,578	14.01
1909	2,682,431	1,742,446,475	39,744,970	14.82
1910	2,700,876	1,794,156,399	41,147,882	15.24
1911	2,723,827	1,891,602,077	44,135,021	16.20
1912	2,746,778	1,898,207,235	46,288,955	16.85

TABLE 1 - Continued

Year	Population	Valuation	Taxes Charged	Per Capita Tax
1913	2,769,729	$1,939,876,166	$ 50,169,782	$18.11
1914	2,792,680	1,967,434,189	51,980,948	18.61
1915	2,815,631	2,051,279,310	53,422,478	18.97
1916	2,838,582	2,060,420,218	59,782,292	21.06
1917	2,861,333	2,124,951,446	63,406,772	22.16
1918	2,884,484	2,233,761,065	68,367,209	23.70
1919	2,907,465	5,749,258,800	77,887,588 (8)	28.79
1920	2,939,390	5,838,717,040	114,836,460 (8)	39.19
1921	2,961,201	5,701,888,589	117,657,253 (8)	39.73
1922	2,992,012	5,225,700,230	118,280,108 (8)	39.57
1923	3,022,823	5,281,804,728	128,598,834 (8)	42.54
1924	3,053,634	5,362,821,728	130,856,385 (8)	42.85
1925	3,084,445	5,271,576,485	133,882,262 (8)	43.41
1926	3,115,256	5,310,556,045	132,100,946 (8)	42.40
1927	3,146,067	5,188,356,739	140,580,835 (8)	44.68
1928	3,176,878	5,117,890,125	143,843,823 (8)	45.28
1929	3,207,689	5,166,896,475	150,469,256 (8)	46.90
1930	3,238,500	5,161,069,113	145,639,454 (8)	44.97
1931	3,269,311	5,073,611,146	140,071,475 (8)	42.84
1932	3,300,122	3,994,597,946	98,155,149 (8)	29.74
1933	3,330,933	3,660,832,234	98,772,376 (8)	29.65

(1) No official records.
(2) Loans obtained from Vincennes Bank.
(3) Nine counties not reported.
(4) Eight counties not reported.
(5) Not available.
(6) Eighteen counties not reported; levies for 1866 substituted for such counties not reported.
(7) Estimated.
(8) Includes the special levies of the eleven cities and one town which collect their own taxes for city purposes.

The valuation given is the net assessed valuation as fixed in the year shown, upon which the taxes are charged and are collected the following year.

Sources of Data: Valuations, 1838 - 1933, and taxes charged, 1816 - 1880, from the Auditor of State Reports. Taxes charged, 1881 - 1933, from the Auditor of State Reports supplemented by the special levies of the cities and towns as indicated.

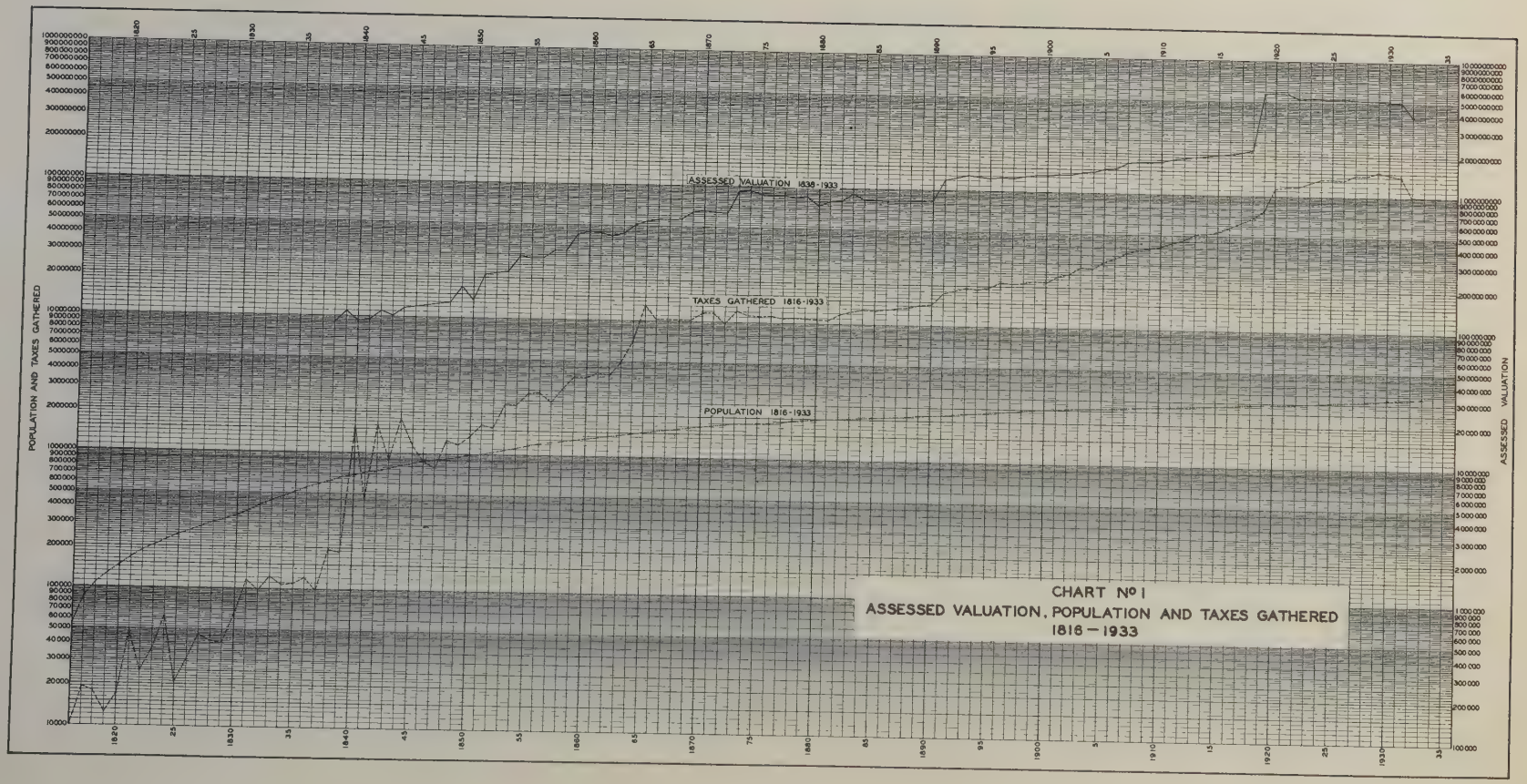

CHART No 1

ASSESSED VALUATION, POPULATION AND TAXES GATHERED

1816 — 1933

state gathered $150,469,256. The 1929 figure is 128.9 times the 1849 tax and represents a percentage increase of 12,890. The population of 1849 was 958,161, while that of 1929 was 3,207,689; this represents a percentage increase of about 348. It will be noticed that taxation had increased about three times as fast as assessed valuation and about thirty-eight times as fast as population.

Since 1836, as shown by the chart, there is a more rapid increase in taxes gathered than in assessed valuations. The taxes are levied on the assessed valuation as a base. The question that presents itself to the student of public finance is: what portion of the property may be diverted from regular economic channels to free public service without impairing the economic efficiency of the social unit? The tax money is, of course, used in various ways, stimulating business generally by its use; but even so, it is used either in an enterprise that is not economically established or in an enterprise essential to the preservation of the state, otherwise there would be no sound reason for the state performing the service or supplying the economic good. The period from 1919 to 1933 is probably the most critical period in Indiana tax history. The rapid convergence of the valuation and taxes gathered lines on the chart are self explanatory. The ten year period from 1924 to 1933 represents the widest variation in general economic conditions. In an effort to determine the equalizing effect on public school finance and the broadening effect on the tax base caused by the last five tax laws mentioned in this chapter, an analysis of the finances of the state for this ten year period is attempted in this study. It is essential, in a study of the tax problem in Indiana, that some attention be given to the various local units of government.

Summary

The history of taxes in the State of Indiana falls into three distinct divisions. The first division includes the period from the earliest 'impressments' imposed on the colonists for military purposes, down to the tax law of 1840. The second division begins with the tax law of 1840 and extends down to the Inheritance Tax Act of 1913. The third and last division includes the tax legislation from the Inheritance Tax Act down to the present time.

During the period from the first settlement in the territory down to 1840 there was a principle firmly established in the minds of the citizenship that any tax should be submitted to the will of the electorate. There is abundant evidence that great numbers of the citizens objected to paying any tax whatever. The territorial and state legislatures during this period classified property and levied taxes on each class of property at the same rate. There were major pieces of tax legislation passed by the territorial and state legislatures in the years 1792, 1795, 1801, 1813 and 1835. The fundamental and basic concept of the nature and purpose of taxes was undergoing a change from 1790 to 1840. The state was gradually growing wealthier, the need for governmental service was expanding and there was a growing feeling that to adequately classify property one would need as many classes as there were pieces of property to be classified.

The Tax Act of 1840 provided that property should be assessed at its true cash value. The act further provided that taxes were to be levied on the total value of the property held by each individual at the rate necessary to produce sufficient revenue for both state and local governmental services. This act was, at the time of its enactment, a very progressive piece of legislation. The act represents the growth in democratic thought on matters of taxation. There was a feeling that each individual under the new law would be forced to pay taxes proportional to his ability to pay. The Constitutional Convention of 1851 placed this democratic idea of taxation in the new constitution. There was scarcely a session of the state legislature from 1840 to 1933 that did not change the tax laws to some extent, but the major revisions were enacted in 1852, 1872, 1891, 1919, 1921 and 1933. These revisions were methods projected by the different legislatures for refining and making the general property tax a more equitable source of revenue.

There were new forms of wealth appearing throughout this period and students of taxation were continually pointing out through studies and through comparisons with other states and countries that vast amounts of this new property were escaping taxation entirely, or, if taxed, were not bearing a proportional share of taxes to that which real estate was bearing. There were writers and students of public finance appearing at this time who advocated taxation as a method of redistributing the wealth of the nation;

still others were anxious to use taxation as a method for smoothing out the differences in economic advantage that accrued to certain types of business organization. There was also, during this period, great expansion in governmental activity and services.

The Inheritance Tax Act of 1913 represents the first effort on the part of the state to conform to the new thought in taxation. In 1905 the legislature levied a license fee on auto owners. The 1923 session of the legislature laid an excise on gasoline. These taxes were based on the assumption that the party or parties using certain governmental services should pay for these services. This is a radical departure from the ability theory. The 1929 session of the legislature passed the Store License Law The Gross Income Act, Alcoholic Beverages Act, Bank and Savings Bank Act, Building and Loan Act and Intangibles Act were added by the special session of the legislature in 1933. These acts represent the efforts of the legislature to tax those forms of wealth that had been escaping taxation. It is also apparent that new sources of revenue were being sought in some of these acts.

The improvement of old governmental services and the addition of many new services are the causes for the ever increasing cost of government. There is, however, the cost of governmental debt which adds materially to the tax burden.

CHAPTER III

LOCAL UNITS OF GOVERNMENT AND THEIR INDEBTEDNESS

Nature and Purposes of Governmental Services

A state, in order to maintain itself, attempts to supply to its citizens certain fundamental services, either free or at a nominal cost.[1] These services are of sufficient importance to justify the annual appropriation of a certain percentage of the property, income or gross sales of the citizens.[2] There is, in any state, a continual flux of opinion as to the value of these services and as to what services should be provided in the future. As the state grows older and wealthier, its activities usually increase; from time to time new activities are added, old ones are expanded, and, as some of these services become obsolete they are dropped from the sphere of governmental importance.[3] The attempt of society to finance these fundamental services through governmental agencies is known as public finance. The fact that the greater part of these services is free to the individual is responsible for the lack of esteem in which some of our great public institutions are held.

In our economic world the returns from the land, labor and capital combinations are classified as rent, wages, interest, and profits.[4] Wages, rents and interest are the returns to labor, land and capital. Profits are described as the wages of management or that portion of the returns that remains after the other three economic charges are met. Profits are generally supposed to find their way into new enterprises.[5] It is through profits that we hope to insure ourselves of sufficient and proper expansion.

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[1] C. F. Bastable, Public Finance, p. 261. New York: The Macmillan Company, 1903.

[2] Ibid., p. 267. [3] Ibid., p. 43.

[4] Alfred Marshall, Principles of Economics, p. 536. London: Macmillan and Company, 1925.

[5] Ibid., p. 544.

Synonymous with the four economic charges, the state claims a certain portion of the national income; this portion claimed by the state is called taxes and is used by the state in financing these fundamental services mentioned above. Generally speaking, these services are of such a character that private enterprise would not find it profitable to engage in the manufacturing, sale or distribution of them, yet they are of sufficient significance to warrant the state in doing so.[1]

These services assumed by the state are, by nature, abstract and of such character that it is exceedingly difficult to measure them.[2] The expenditures of a state, county, city, township or town show the amount expended for police protection, justice, fire protection, education and other public services, but these figures do not tell us to what extent or how well these various services are administered. It is also very doubtful whether the relative importance of these services would be indicated by the amount of the expenditures. There are, however, certain relationships and trends which may be disclosed by a careful examination of the receipts and disbursements of a state and its subdivisions. The importance a people attaches to these governmental services is certainly measured, to some extent, by bond issues and taxes paid. The state, the same as an individual, would be averse to accepting debt with the accompanying interest load and to the payment of taxes for services which it did not deem essential.

The Nature of State Government

The government of the State of Indiana is predicated on the assumption that those powers which are neither specifically granted to the Federal Government by the National Constitution nor prohibited by the National Constitution to the several states, remain vested in the states and are sovereign to the states. The state government is modeled after the national government in that the functions of state government are vested in three separate and somewhat distinct branches, the legislative, executive and judicial. The duties of each branch of government are defined in the State

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[1]Edwin R. A. Seligman, Essays in Taxation, p. 337. New York: The Macmillan Company, 1921.

[2]Ibid., p. 337.

Constitution. The fact that each branch of government operates, in a measure, independently of the other branches is sufficient reason for a certain lack of integration in regard to governmental policy. The state and national constitutions are the only limitations on the various branches of the state government. The Supreme Court of the United States, early in the history of the American Government, seemed to take upon itself the role of constitutional interpretation. This precedent has been followed by the supreme courts of the several states. The Supreme Court of the State of Indiana interprets the constitution and its application to the other branches of government as well as its application to the various local units of government.

In theory, all the functions of state government originate in the state itself. The local units of government exercise powers which have been delegated to them by the state. It is in the functioning of the local units that one is able to discern an overlapping, a sort of multiplicity of effort, a somewhat peculiar geographical adherence, rather than a definite regard for population, which seems to pyramid governmental cost and governmental effort.

The Local Units of Government in Indiana

The local units of government in the State of Indiana are the counties and the townships. Indiana has ninety-two counties and 1,016 townships. In addition to the counties and townships, the more thickly populated sections of the state are incorporated into cities and towns. There are, in Indiana, 2,831 units of government, each having the power to tax. Often more than one unit occupies a particular territory. The number of governmental units to which an individual may be forced to pay taxes depends upon the location of the individual's residence. There seems to be a lack of continuity of purpose or uniformity of service in the governmental units as they are constituted at present. In order better to understand the government finance in the State of Indiana, it is necessary to trace the growth of these governmental units. In addition to political and municipal subdivisions of the state, certain peculiar units of taxation have been created by the legislature and sanctioned by the Supreme Court of the state. The growth of the political, municipal and taxing units, the source of their powers to tax, to issue bonds and to create temporary indebtedness are of prime importance in this study.

The Constitution of 1851 has some very definite provisions with regard to state indebtedness. ARTICLE X, Section 5, states:

> No law shall authorize any debt to be contracted, on behalf of the State, except in the following cases: To meet casual deficits in the revenue; to pay the interest on the state debt; to repel invasion, suppress insurrection, or, if hostilities be threatened, provide for public defense.[1]

ARTICLE X, Section 6, makes this further provision with respect to state indebtedness: "Nor shall the General Assembly ever, on behalf of the State, assume the debts of any county, city, town or township, nor of any corporation whatever."[2] It is one of the anomalies of democratic government that the state, the source of all the powers of the local units of government, should be denied by constitutional provision the power to issue bonds, while the local units which are the creatures of the state should not only be given the power to issue bonds but should find the power being constantly extended.

Constitutional State Officers

There is also constitutional provision for certain state officers. The Governor and Lieutenant-Governor of State, Secretary of State, Auditor of State, Treasurer of State, State Superintendent of Schools, fifty state senators and one hundred state representatives are provided for in this manner.[3] The duties of these state officers are also set forth in the state constitution. The fact that the office, as well as the official duties are constitutional, seems to inspire a certain degree of independence of action in these offices. The independent action of one office is likely to hinder the pattern of government as a whole. The official is responsible to the electorate, to constitutional performance of duty, and that is the limit of his responsibility. A strong and capable official tends to extend the power and influence of his office, while a weak and vacillating official will find his activities and influence diminishing.

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[1] Indiana Yearbook, Constitution of Indiana, 1851, p. 753. Indianapolis: Wm. B. Burford, 1917.

[2] Ibid., p. 753.

[3] Ibid., p. 739.

State Boards, Commissions and Departments

The state, in attempting to carry on the functions of government, has adopted the policy of delegating authority for state as well as local purposes. The legislature has, from time to time, created boards, commissions, divisions and departments for the purpose of carrying on state government. There are, at present, eighty-six such divisions of state government in Indiana. It is inevitable that the functions of these different governmental bodies should overlap. The 1933 session of the State Legislature attempted to integrate this great number of governmental agencies. Nine departments were set up by this legislature and the different governmental agencies were placed under these departments. In reports submitted by these various agencies to the Governor of the State, one finds evidence of a certain and somewhat peculiar taxing power. It seems to have been considered necessary that these boards and commissions be self-supporting. In order for a board or commission to be self-supporting, it must have some means of financing itself. This is usually done through fees or licenses. Fees or licenses are a form of taxation amounting, in the end, to a sort of privilege tax. Assuming that the activity which is to be regulated by the board or commission is an activity which is essential to the citizens of the state, we find that the fees or licenses are an added cost on the service. This added cost is, in fact, a tax and obviously the administration of these boards and commissions with their conferred powers is just as pertinent a question to the general public as the general property tax. The board or commission is not self-supporting, but is supported by the economic activity which it regulates.

The County

The county is the largest territorial division of local self-government in the state. Counties are created and the names and boundaries fixed by the legislature. The constitution contains the following provision in regard to the size of counties: "No county shall be reduced to an area less than four hundred square miles, nor shall any county under that area be further reduced."[1]

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[1] Ibid., p. 756.

If approved by a majority of the voters affected, the boundaries of any county may be changed, a new county created or territory transferred from one county to another. The city or town where the county offices are kept is known as the county seat. The county seat may be changed by petition of fifty-five per cent of the voters or by a majority vote at a special election held for that purpose.

As a unit of government the county is older than the state. Indiana became a state in 1816; however, county organization began under the Ordinance of 1787. The ordinance gave the governor power to lay out both counties and townships. Knox, the first county, was organized in 1790,[1] and Newton, the last county of the ninety-two, was organized in 1859, eight years after the adoption of the second constitution. Thirteen counties were organized and operating before Indiana became a state.[2] Neither the Constitution of 1816 nor that of 1851 provided for county government; however, each constitution names certain of the county offices, specifying the length of term and defining the duties of the officers.

Counties have no powers except those conferred and delegated by the legislature. The general scope of county authority as provided by both statute and the State Constitution is quite extensive. It includes the construction, maintenance and control of public drains, dikes, levees, roads, bridges and county buildings; the care and oversight of the poor, sick, destitute and delinquent; the control of schools and education; the maintenance of public order and security; the assessment of property and the collection of taxes; the issuance of marriage licenses and the recording of land titles; the establishment of land boundaries; the promotion of agriculture; the suppression of disease among people and domestic animals; the registration of voters and the control of elections.[3]

The business of each county is executed and discharged by a corps of elective and appointive officers. The constitution provides for the election of a Clerk of the Circuit Court, Auditor, Recorder, Treasurer, Sheriff, Coroner and Surveyor.[4] In addition,

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[1]Logan Esarey, History of Indiana, p. 152, Vol. I. Fort Wayne: The Hoosier Press, 1924.

[2]Ibid., p. 245. [3]Ibid., p. 255.

[4]Indiana Yearbook, Constitution of Indiana, 1851, p. 749. Indianapolis: Wm. B. Burford, 1917.

the following offices have been provided by statute: Board of Commissioners, elective; Bailiff for Commissioners' Court, appointed by Commissioners; County Council, elective; County School Superintendent, selected by Township Trustees, Auditor votes in case of tie; Highway Superintendent, selected by County Commissioners; Assessor, elective; Inheritance Tax Appraiser, appointed by Governor; Agricultural Agent, appointed by Purdue University, approved by the County and State Board of Education; Drainage Commissioner, appointed by the County Commissioners; School Attendance Officer, appointed by the County Board of Education; County Physician, appointed by the County Commissioners; County Veterinarian, appointed by the County Commissioners; Health Commissioner, appointed by the County Commissioners; Inspector of Weights and Measures, appointed by County Commissioners; Superintendent of County Asylum, appointed by County Commissioners; Superintendent of County Insane Asylum, appointed by County Commissioners and County Council; Superintendent of County Workhouse, appointed by County Commissioners; Prison Matron, appointed by Sheriff; Elisor, appointed by Judge of Judicial Circuit to serve when the Sheriff and Coroner are incapacitated; Board of Tax Adjustment, one selected by County Council, six selected by Circuit Judge; Board of Review, composed of County Assessor, Auditor, Treasurer and two resident freeholders, appointed annually by Judge of Circuit Court; Board of Education, composed of County Superintendent, Township Trustees, Chairman of the Board of School Trustees of each city and incorporated town in the county; Board of Children's Guardians, six persons appointed by Judge of the Circuit Court; Board of Finance, composed of County Commissioners, County Auditor, County Treasurer, Mayor and Comptroller of City, and Chairmen of School Boards; Board of County Hospital Trustees, appointed by County Commissioners; Board of Managers of County Tuberculosis Hospital, appointed by County Commissioners; County Public Library Board, two appointed by County Commissioners, two by the County Superintendent of Schools, three by Judge of Judicial Circuit; County Board of Registration Commissioners, Clerk of Circuit Court and two members nominated by the chairmen of the different political parties and appointed by the clerk; County Board of Primary Election Commissioners, Clerk of Court and two citizens nominated by chairmen of the political parties and appointed by the clerk; County Board of Election Commissioners, Clerk of Court and two citizens, one nominated by the

chairman of each political party and appointed by clerk; County Canvassing Board, same personnel as County Board of Election Commissioners; Recount Commissioners, two appointed by the Judge of Circuit Court and third is Clerk of Court; three Sanitary District Trustees, elective; County Council of Defense, seven members appointed by Judge of Circuit Court. In addition to the offices listed, there are certain quasi-public officers appointed for specific tasks: Bridge Superintendent, appointed by County Commissioners; County Highway Viewers, appointed by County Commissioners; Superintendents of Highway Construction, appointed by County Commissioners, and Fence Viewers, appointed by County Commissioners.

Townships

Townships, the same as the county, are older than the state government. The first townships existed under the Ordinance of 1787.[1] The township as it exists in Indiana possesses some of the characteristics of both the New England town and the County Governments of the South. The New England town, because of the severe climate and acute military needs, became the unit of local government. Local government in the South comprised a much larger area and became an administrative unit with delegated or conferred powers, rather than original powers. This governmental growth in the South was due to the comparative safety, as well as to the large and extended plantations of this region.

The middle Colonies represent a sort of average of these conditions. New York and Pennsylvania developed township government the same as that now existing in Indiana.

The settlers of Indiana came principally from the Middle Atlantic states, and brought with them that form of township government prevalent in those states. In Indiana, the government of the civil city or town did not displace the township government, and thus, at the outset, there was an overlapping which exists even today.

There are in Indiana, 1,016 townships. Each of these townships has two distinct legal entities--that is, in contemplation of law there exist not 1,016 townships but 2,032 townships, half of which are known as school townships and half as civil town-

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[1]Esarey, op. cit., p. 165.

ships.[1]

The school township has boundaries which correspond to those of the civil township except that there is excluded from the territory of the school township so much of the territory of the civil township as is within any incorporated school city or town. The reason for this exclusion is that the school functions within the territory of the civil township included in such incorporated school city or town are performed by the school city or town.

There is no such exclusion for civil purposes. Territory included in a civil city or town is also a portion of a civil township and a resident of a city or town is taxed by the civil city or town by the civil township in which he resides.[2]

The school township, in Indiana, is displaced by the school city or town. Overlappings which exist in the civil government, therefore, do not exist in school government. The civil township and the school township should not be confused with the congressional township. The congressional township is not a unit of government. It is a tract of land six miles square and is a part of the governmental survey made pursuant to an act of Congress in 1785. Congressional townships thus exist only for the purpose of land descriptions.

The principal officer of both the civil and school township is the township trustee.[3] The office is statutory and its principal functions in the civil township are first, the administration of poor relief, and second, up to 1932, the supervision of township roads. This latter function is now vested in the county surveyor. In addition, the trustee has certain other minor functions which include the repair and supervision of drains and ditches, control of cemeteries, and the taking of the sexennial census of male inhabitants more than twenty-one years old, which serves as the basis for apportioning the members of the two houses of the General Assembly. In the school township, he is in charge of schools, appointments of teachers and other matters of administration.

The advisory board is, in a sense, the legislative body of

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[1] Follett v. Sheldon, 144 N.E. 867.

[2] Burns Revised Statutes, par. 14032.

[3] Acts of 1859, par. 6786, p. 181.

both the civil and the school township.[1] Its principal functions are three: To adopt the annual budget; to fix the tax rates and impose the levies; to authorize incurring of indebtedness.[2] It holds two regular annual meetings, one in January and one in September. Special meetings may be called by the township trustee, the chairman of the board, or any two members of the board.[3]

The township is the unit for the purpose of assessment of property for taxation.[4] Each civil township has an assessor whose duty is to make the assessment of real and personal property. By an act adopted in 1933 the office of assessor was abolished in townships of less than five thousand inhabitants. The duty of the assessor in such townships is now performed by the trustee. The justice of the peace and constable are also township officers. Their duties are of a judicial character. Their offices are elective and each serves for a term of four years. The jurisdiction of the justice of the peace court is limited.

It has been said that the township is a constitutional division of government. The provisions of the Indiana Constitution of 1851 with respect to townships are given in detail in the following quotations:

> ARTICLE VI. Section 3. Such other county and township officers as may be necessary shall be elected or appointed, in such manner as may be prescribed by law.[5]
>
> ARTICLE VI. Section 6. All county, township and town officers shall reside within their respective counties, townships and towns, and shall keep their respective offices at such places therein, and perform such duties as may be directed by law.[6]
>
> ARTICLE VI. Section 8. All state, county, township and town officers may be impeached or removed from office in such manner as may be prescribed by law.[7]
>
> ARTICLE VI. Section 9. Vacancies in county, township, and town offices shall be filled in such manner as may be prescribed by law.[8]

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[1]Grover Van Duyn, School Laws of Indiana, p. 358. Indianapolis: Wm. B. Burford, 1932.

[2]Ibid., p. 358. [3]Ibid., p. 359. [4]Ibid., p. 359.

[5]Indiana Yearbook, Constitution of Indiana, 1851, p. 749. Indianapolis: Wm. B. Burford, 1917.

[6]Ibid., p. 749. [7]Ibid., p. 749. [8]Ibid., p. 749.

ARTICLE II. Section 2. In all elections . . . . every male citizen of the United States . . . . who shall have resided in the state during the six months, and in the township sixty days, ... and every male of foreign birth, ... who shall have resided . . . . in the township sixty days . . . . shall be entitled to vote in the township or precinct where he may reside, if he shall have been duly registered according to law.[1]

ARTICLE II. Section 14. All general elections shall be held on the first Tuesday after the first Monday in November; but township elections may be held at such time as may be provided by law.[2]

ARTICLE IV. Section 22. The General Assembly shall not pass local or special laws in any of the following enumerated cases, that is to say: Regulating county and township business; Regulating the election of county and township officers, and their compensation; For the assessment and collection of taxes for state, county, township or road purposes.[3]

ARTICLE VII. Section 14. A competent number of justices of the peace shall be elected by the voters in each township in the several counties.[4]

ARTICLE X. Section 6. Nor shall the General Assembly ever, on behalf of the State, assume the debts of any county, city, town or township, nor of any corporation whatever.[5]

There has been considerable discussion in recent years concerning the abolishment of townships. There are those who think the township is an expensive unit of government. Opponents of the plan have pointed out the fact that the township is mentioned in the constitution. There seems to be no constitutional provision as to the size, number, or governmental functions of the townships. If the legislature saw fit, it could make one township of each county, making the county and township coterminous. The duties and number of township officials, with the exception possibly of justices of the peace and constables, seem to be left entirely to the State Legislature.

Cities

There are one hundred and two cities in Indiana and they are arbitrarily divided into five classes.[6] The legislature

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[1] Ibid., p. 741. [2] Ibid., p. 742. [3] Ibid., p. 745.

[4] Ibid., p. 751. [5] Ibid., p. 753.

[6] Legislative Bureau of the Indiana Library and Historical Department, Statistical Report for the State of Indiana 1932, p. 136. Indianapolis: Wm. B. Burford, 1932.

classifies cities on the basis of population. Cities of 250,000 population or over are ranked as cities of the first class. Indianapolis is the only first class city in the State of Indiana. Cities of 35,000 to 250,000 population are ranked as cities of the second class; there are nine cities in the state that fall in this group. Cities of 25,000 to 35,000 population are placed in the third class; cities of 10,000 to 25,000 population are placed in the fourth class, while the fifth and last class of cities includes that group whose population falls within the 3,000 to 10,000 limit. There are eight third class cities, sixteen fourth class and sixty-eight fifth class cities. The population limits of the different classes are raised and lowered from time to time as the legislature sees fit.

The classified charter system is designed to fit the structure of city government to the needs of the particular community. City government is predicated upon the problems of densely populated communities; the larger the community the greater and more complex the problems to be solved. The structure of the city government provided by the classified charter system progresses from the simple provisions for the fifth class city to the elaborate provisions for the first class city.

In cities of the fifth class, the only elective officers are mayor, clerk-treasurer and five common councilmen. The mayor appoints a fire chief, police chief and city attorney, but he himself acts as city judge. The mayor, city attorney and one councilman compose a board of public works and safety. All of the powers of government in such cities, legislative, executive and judicial, are vested in these officers. The officers and boards become more numerous with each succeeding class of city.

Towns

Town government is simplicity itself. The elective officers of the town are the trustees, of which there are not fewer than three nor more than seven, depending upon the number of wards into which the town has been divided, and a clerk and a treasurer. In addition, each town has a marshal, appointed by the board of town trustees. All executive and administrative duties other than keeping of records and care of funds, which are performed by the clerk and treasurer, respectively, are performed by the board of

town trustees. The powers of the board of trustees are patterned after the powers of the Common Council of a city, although they are not so extensive. The town marshal is charged with the enforcement of the ordinances of the town and the keeping of the peace.

Originally, cities and towns were created by the legislature. On the petition of the citizens residing within a certain area, the legislature would issue a special charter creating a city or town. Now, however, all cities and towns are created under general laws by petition of the parties residing within a certain territory. The petitioners, upon complying with the provisions of the statute, become residents of the city. The origin of the city then is voluntary action on the part of citizens. The county, however, as pointed out, is an involuntary unit of government created by the legislature and not by petition. In 1905, the law relating to cities and towns was codified; today all cities and towns operate under this law. It has, of course, been amended and supplemented at every session of the legislature.

Powers of Cities and Towns

The city, when created, acquires a legal existence; that is, it can sue and be sued, and in this additional respect, it is unlike the county. The city has certain proprietary powers; that is, power to own and act with reference to property, within limitations prescribed by law, in practically the same manner as individuals act with reference to property.

The city, as already indicated, grows out of the necessity for a local government which may deal with the needs and requirements of a densely populated community. The crowding of people into a small area creates problems of sanitation, safety and welfare that do not exist in rural communities. The primary function of the city is to deal with those problems. The problems of sanitation, safety and welfare created in this manner are, of course, different in each city. The law of the state has recognized this by classifying cities and by vesting in the city, through its Common Council, and in the town through its Town Board, legislative power broad enough to deal with the local problems thus arising.

The Common Council and Town Board have power to enact ordinances with reference to a wide range of subjects, including

purification of water courses, disposal of garbage, rubbish, dead animals and other impure substances, the regulation of factories of an obnoxious nature, the regulation of fire alarms, bonfires, the provisions for impounding animals, the keeping of explosive substances like powder and dynamite, the management of burial places, establishment of quarantine, location of public markets, inspection of meat, poultry, fish, butter, oleomargarine, cheese, vegetables and other like products, the regulation of weights and measures, inspection of weights and measures, of steam boilers and elevators, limits of height and character of buildings and their safety from the standpoint of fire dangers, inspection of electric lines, wires, gas pipes, water pipes, plumbing and drainage, regulation of the keeping of lumber yards, wood, straw, hay and other combustible materials and the regulation of the use of streets and of traffic, as well as many other subjects. The Common Council's ordinances are subject to veto by the mayor, but ordinances vetoed may be passed over the veto of the mayor by a two-thirds vote of the Common Council.

The executive power of the city government is vested in the mayor. In no other unit of government, except the state, is the appointive power of the executive so broad as in the city. Practically all of the administrative officers in all of the departments are appointed by the mayor. In a few cases, however, appointments are made by other officials. The notable exception to the power of the mayor to appoint is in the case of the fire and police departments. The members of these departments are appointed by the department of public safety. The members of the department of public safety, however, are appointed by the mayor.

The only elective officers of the city, aside from the mayor and members of the Common Council, are the city clerk and city treasurer. The county treasurer, by virtue of his office, acts as city treasurer. All other officers of the city are appointed.

The cities and towns, the same as the townships, are units of administration for school purposes.[1] School administration is vested in a board which is separate and distinct from the civil city or civil town administration; in fact, there are as many school cities as there are civil cities.[2] The towns may administer

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[1]Van Duyn, op. cit., p. 46. [2]Ibid., p. 46.

their schools or they may become part of the township for purposes of school administration.[1] The tendency is for the wealthier towns to administer their own schools while the poorer towns become a part of the township for school purposes.

Bond Limitation Law and the Tax District

In 1881 the people of Indiana, as a measure of economy, wrote into the fundamental law a limitation upon the indebtedness of governmental units. The amendment to the Constitution of 1851, which became effective in 1881, states that:

> No political or municipal corporation in this state shall ever become indebted, in any manner or for any purpose, to any amount in the aggregate exceeding two percentum on the value of taxable property within such corporation, to be ascertained by the last assessment for state and county taxes, previous to the incurring of such indebtedness, and all bonds or obligations in excess of such amount given by such corporations shall be void.[2]

In 1897 the Supreme Court of Indiana, in a notable decision, made it apparent that the limitation had not blocked the incurring of indebtedness, but had merely diverted its incurment into agencies other than political or municipal corporations.

> The power of the legislature in matters of taxation is unlimited except as restricted by the constitution. The legislature in the exercise of this power in making local improvements, may create a special taxing district without regard to the boundaries of counties, townships or municipalities.[3]

This decision made the tax district a means of obtaining public credit and improvements when the political or municipal corporation was indebted to two per cent of its assessed valuation.

The power of taxation has always been recognized as a sovereign power of government. The only limitations on the powers to tax are found in the state and federal constitutions. One power exercised from a very early period was the power to levy special assessments upon property benefited by public improvements. The most common examples of this type of benefit assessment are the levies made for construction of sewers and streets.

For the purpose of making such improvement the legislature may

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[1]Van Duyn, op. cit., p. 54.

[2]Indiana Yearbook, Constitution of Indiana, 1851, p. 755. Indianapolis: Wm. B. Burford, 1917.

[3]Board of Commissioners of the County of Monroe v. Harrell et al. 504 Ind. 147.

> levy a tax upon all or a part of the property in such district by a uniform rule according to its value or may charge the cost thereof to the property in such district according to what is known as the "front foot" rule, thus determining in advance what property is benefited or it may delegate to a subordinate agency the power to ascertain and report the benefit, if any, to the different tracts of real estate within such district.[1]

In Indiana, such assessments are commonly called 'Barrett Law Assessments.' Theoretically, such assessments are charges equal in amount to the benefits derived by the property from the construction of the improvement. In case a city constructs a street, assessments equal to the benefits are levied against all property adjoining the street, or should a sewer or drain be constructed, a benefit assessment is levied against all property served by the sewer or drain. These assessments are not in the nature of a tax. Their amount is definitely fixed, is effective against the real estate benefited and only to the extent of the benefit. Originally, all the public improvements which were not paid for out of general funds of some unit of government and which, in their nature, involved a special benefit to the property owners affected, were paid for by these special benefit assessments. There seems to have grown out of these benefit assessments a new unit of government for purposes of taxation.

Extending Special Assessments

In 1865 the legislature passed an act which provided that for the purpose of paying for highways constructed, all property within three-fourths of a mile on each side of such highway should be assessed with the benefits.

> All real estate outside of the corporate limits of any town or city incorporated as such, three-fourths of a mile each side of the proposed road, shall be taxed to construct the said road in proportion to the appraisement of the realty that may be on the auditor's books at the organization; each owner shall pay their proportion of the cost of the proposed turnpike according to the amount of their assessment of real estate within the prescribed limits.[2]

This act, for the first time, recognized the fact that people other than those living adjacent to the highway would be benefited by it. By a process of gradual extension the limit eventually reached the

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[1] Ibid. [2] Acts of 1865, chap. xxxix, sec. 3, p. 90.

boundaries of the township and later of the county. In 1869 the distance was extended to one and one-half miles[1] and in 1877 to two miles,[2] and in 1893 to embrace the entire township within which any road was constructed.[3] In 1905 these statutes were re-enacted, providing for both township and county districts, vesting power in the Board of Commissioners of the county, upon petition of a certain number of either township freeholders or county freeholders, to act to establish and improve highways either within the township or the county.[4] The act also provided that the bonds, extending over a period of ten or twenty years, should be retired by an ad valorem tax levied upon all property, both real and personal, within the township. The bonds matured serially and the tax was levied annually to meet the maturities. These acts thus departed from the benefit assessment which was levied only upon real estate.

In 1896, in the case previously mentioned, the court had under consideration the validity of the acts of a Board of Commissioners in constructing a road under the 1893 act. The act of the board was challenged upon the grounds that the township in which the road was to be constructed was then indebted to its limit under the constitution, and that therefore the expense could not be legally incurred by the township. The court held the debt was not a debt of the township even though the boundaries of the road district were the same as those of the township, but was the debt of a tax district which the legislature had the power to create. The substance of the court's definition of a tax district was that it was any territory, the property within which was subject to a special tax on account of some public improvement. The court further stated that tax districts may be as numerous as the purposes for which taxes are levied. Thus the constitutional limitation of 1881 failed as a block to public expenditures. Approval was thus given to the creation of units with power to levy ad valorem taxes similar for all practical purposes to the tax levies of existing municipal corporations.

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[1] Acts of 1869, chap. xxxv, sec. 3, p. 73.

[2] Acts of 1877, chap. xlvi, sec. 1, p. 72.

[3] Acts of 1893, chap. lxxxviii, sec. 2, p. 155.

[4] Acts of 1905, chap. 166, sec. 53, p. 517.

There are records of many cases in which the courts have held that the legislature, in the exercise of its power as to taxation in making local improvements, may create a special taxing district without regard to the boundaries of counties, townships, or municipalities.[1]

Prior to 1917 the only tax districts existing in Indiana were the township and county unit road districts. In that year the legislature created a department of public sanitation, and in 1919 a department of public parks, both within the city of Indianapolis. The territory covered by the departments was the same as that of the civil city. The departments were given the power to levy special benefit taxes similar in nature to those of the township and county unit road districts.

Tax District Established

The Supreme Court upheld the Park Department Act which was contested on the basis that the indebtedness of the park department was to be considered as a part of the indebtedness of the civil city in determining whether the constitutional limitation had been exceeded. It is a matter of record that the tax district has been established as a separate unit of government, with power to levy taxes, and incur indebtedness which is not the indebtedness of any other unit of government occupying a similar territory. The legislature has recently created such other tax districts as department of water works, department of public utilities, library and port districts. Some of these districts have not been definitely established as taxing districts; however, the principle is established and probably will be extended to include many of the new districts.

The question of further evading the constitutional debt limitation provision of 1881 by creating new municipal corporations, which did not exist at the time of the debt limitation amendment, is open and pertinent. The creation of new governmental units with

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[1]Byram v. Board, 145 Ind. 240.

[1]Lowe v. Board, 156 Ind. 167.

[1]Board v. Harrell, 147 Ind. 500.

[1]Board v. State, 155 Ind. 604.

powers similar to towns and cities, but for different functions, would not add another unit for debt purposes if the Supreme Court would hold that the limitation meant that property could be bonded for only two per cent of its assessed valuation. On the other hand, it is possible that this additional channel for evading the limitation of 1881 may be opened by the Supreme Court by permitting the creation of such additional units of government. The precedent for such interpretation is firmly established in the decisions of the Supreme Court with respect to taxing districts.

These taxing districts have incurred a tremendous amount of bonded indebtedness and the taxes necessary to discharge such indebtedness are a considerable annual burden to the taxpayer.[1]

The General Assembly of 1932 placed a moratorium upon the construction of roads by either township or county unit road districts until the first day of september, 1937; however, these districts still exist as taxing units for the purpose of discharging the existing indebtedness of the districts.

While the Supreme Court has held that taxing districts might be created which were not coterminous with the present local units of government, this has not as yet been done by the legislature. The counties, townships, cities and towns have remained the geographical unit and any taxing unit indebtedness created is, in fact, indebtedness of these local units of government. The bonds issued by these taxing units are termed county or township unit road bonds, or, if issued by another taxing unit, the unit and purpose of the issue are mentioned in the bond to distinguish these bond issues from the civil or school issues. The following corporations are permitted to levy taxes and issue bonds: counties, civil townships, school townships, civil cities, school cities, civil towns, school towns, and those taxing districts which are coterminous with the counties, townships, cities and towns. The assessed valuation, taxes gathered, bonded and temporary civil debt, and the bonded and temporary school debt of the counties of the state are shown in Appendix Tables 20 and 22. The bonded and other interest-bearing indebtedness of the civil cities, civil towns, civil townships, counties and taxing districts of each county is pooled and allocated to each county respectively. The bonded

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[1]Legislative Bureau of the Indiana Library and Historical Department, Statistical Report for the State of Indiana, p. 158. Indianapolis: Wm. B. Burford, 1933.

and interest-bearing debt of the school cities, school towns and school townships is also pooled and allocated to the respective counties. The 'Taxes Gathered' column includes taxes gathered for all purposes, state, county and local. Since the township is the unit for purposes of assessment, the 'Assessed Valuation' column indicates the sum of the valuations of all the townships in each county. The indebtedness of the counties, civil townships, civil cities, and civil towns is given as of December 31 of each year, while the indebtedness of school townships, school cities and school towns is given as of July 31 of each succeeding year. This is necessary since the school and civil fiscal years close on these respective dates. The data concerning the counties, civil townships, civil cities and civil towns are compiled from the annual reports submitted to the statistical department of the legislative reference bureau by the auditor of each county and by the clerk or controller of each city or town. The data for the school townships, school cities and school towns are compiled from reports submitted to the State Department of Public Instruction by the county school superintendents and by the city and town school superintendents.

Ratio of Total Debt to Assessed Valuation

The ratio of the total debt of either the state or county to the assessed valuation of the corresponding unit shows the fractional part of the assessed value of the state or county that has been used for governmental purposes, but has not been paid at the date the fraction is computed. The data in Table 2 present these ratios for the state and counties of Indiana for the period from 1924 to 1933, inclusive. It will be noticed that the ratios for the state, which are also the arithmetic averages for the counties, are gradually increasing throughout the ten year period; the total debt, however, has been reduced considerably during the past three or four years. Table 22 in the appendix shows the civil debt in 1931 at 132.9 millions, but by 1933 this had been reduced to 116.5 millions, while the school debt attained its peak of 67.3 millions in 1929, but was reduced to 55.7 millions in 1933. These decreases do not appear in the ratios shown in Table 2 because of the decreases in the assessed valuation. Assessed valuation, being a measure of the cash value of tangible and intangible property, has

TABLE 2

RATIO OF TOTAL DEBT TO ASSESSED VALUATION OF THE COUNTIES OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Av.
Adams	.036	.033	.032	.030	.032	.030	.027	.026	.031	.026	.030
Allen	.027	.027	.030	.032	.032	.046	.031	.031	.048	.039	.034
Bartholomew	.024	.022	.018	.017	.016	.017	.017	.016	.017	.015	.018
Benton	.007	.010	.022	.024	.024	.028	.026	.025	.029	.027	.022
Blackford	.021	.017	.023	.022	.030	.026	.024	.024	.030	.026	.024
Boone	.020	.019	.016	.022	.028	.027	.035	.024	.030	.031	.025
Brown	.035	.045	.038	.042	.030	.030	.028	.025	.017	.015	.031
Carroll	.023	.016	.016	.019	.022	.022	.020	.019	.024	.023	.020
Cass	.039	.041	.038	.042	.036	.036	.032	.031	.032	.033	.036
Clark	.034	.032	.027	.033	.032	.036	.038	.035	.038	.041	.035
Clay	.053	.050	.043	.047	.054	.058	.053	.052	.058	.052	.052
Clinton	.030	.029	.026	.027	.027	.023	.024	.024	.024	.023	.026
Crawford	.056	.049	.043	.041	.047	.043	.056	.051	.060	.055	.050
Daviess	.043	.045	.046	.045	.049	.054	.056	.051	.066	.099	.055
Dearborn	.036	.033	.034	.024	.026	.034	.031	.028	.032	.030	.031
Decatur	.031	.033	.032	.029	.038	.038	.032	.030	.032	.029	.032
Dekalb	.015	.013	.016	.023	.024	.025	.028	.027	.037	.027	.024
Delaware	.027	.029	.029	.024	.025	.023	.020	.020	.026	.028	.025
Dubois	.055	.063	.058	.058	.059	.052	.047	.041	.046	.036	.052
Elkhart	.032	.034	.045	.050	.059	.059	.061	.063	.073	.086	.056
Fayette	.023	.021	.020	.020	.018	.016	.014	.016	.016	.016	.018
Floyd	.052	.049	.043	.050	.047	.045	.045	.051	.061	.065	.051
Fountain	.025	.027	.025	.028	.027	.025	.024	.027	.033	.032	.027
Franklin	.033	.031	.032	.030	.029	.028	.026	.028	.036	.036	.031
Fulton	.037	.033	.029	.029	.025	.036	.027	.022	.024	.021	.028
Gibson	.050	.046	.038	.044	.043	.045	.049	.046	.059	.060	.048
Grant	.027	.026	.026	.020	.027	.025	.026	.025	.035	.035	.027
Greene	.040	.038	.042	.043	.042	.042	.048	.048	.058	.057	.046
Hamilton	.026	.025	.027	.029	.033	.031	.035	.033	.036	.039	.031
Hancock	.023	.027	.021	.023	.034	.022	.019	.017	.019	.017	.022
Harrison	.058	.059	.055	.054	.067	.064	.060	.081	.068	.068	.063
Hendricks	.025	.023	.023	.025	.032	.030	.028	.026	.030	.033	.028
Henry	.011	.014	.015	.016	.015	.017	.018	.021	.029	.028	.018
Howard	.019	.019	.024	.018	.018	.025	.021	.020	.022	.021	.021
Huntington	.024	.027	.037	.035	.040	.031	.036	.034	.042	.039	.035
Jackson	.026	.027	.023	.027	.029	.027	.023	.021	.027	.027	.026
Jasper	.033	.032	.032	.028	.033	.026	.028	.026	.034	.032	.030
Jay	.024	.026	.023	.028	.030	.029	.027	.025	.028	.025	.027
Jefferson	.045	.041	.037	.047	.048	.048	.045	.041	.044	.049	.045
Jennings	.039	.043	.040	.039	.037	.032	.029	.028	.030	.025	.034
Johnson	.016	.015	.013	.012	.013	.013	.011	.010	.011	.010	.012
Knox	.030	.034	.041	.052	.062	.057	.054	.052	.069	.056	.051
Kosciusko	.029	.032	.031	.035	.034	.030	.036	.029	.042	.030	.033
Lagrange	.019	.019	.019	.025	.028	.025	.028	.031	.037	.036	.027
Lake	.037	.036	.036	.047	.048	.051	.053	.067	.066	.066	.051
LaPorte	.044	.045	.045	.042	.040	.039	.041	.041	.043	.049	.043
Lawrence	.043	.036	.036	.041	.043	.040	.046	.056	.063	.061	.047
Madison	.041	.041	.039	.038	.040	.037	.041	.046	.055	.056	.043

TABLE 2 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Av.
Marion	.045	.047	.049	.047	.043	.046	.049	.048	.057	.063	.049
Marshall	.030	.032	.030	.032	.041	.039	.037	.034	.038	.036	.035
Martin	.050	.048	.046	.045	.045	.044	.038	.039	.050	.052	.046
Miami	.037	.037	.039	.041	.036	.041	.037	.035	.039	.035	.038
Monroe	.034	.032	.040	.042	.046	.043	.046	.047	.055	.057	.044
Montgomery	.014	.014	.014	.016	.025	.028	.025	.022	.026	.025	.021
Morgan	.034	.031	.027	.029	.029	.029	.024	.026	.034	.027	.029
Newton	.028	.034	.032	.031	.030	.028	.023	.024	.028	.031	.029
Noble	.034	.036	.022	.042	.043	.042	.039	.038	.042	.044	.038
Ohio	.032	.033	.051	.052	.061	.057	.058	.055	.065	.063	.053
Orange	.044	.046	.052	.051	.049	.041	.044	.043	.054	.050	.047
Owen	.035	.037	.038	.039	.040	.042	.041	.037	.040	.027	.038
Parke	.020	.022	.030	.031	.031	.028	.028	.039	.035	.035	.030
Perry	.088	.059	.052	.047	.046	.042	.063	.061	.073	.077	.061
Pike	.055	.064	.067	.065	.058	.060	.062	.059	.073	.073	.064
Porter	.033	.030	.033	.032	.032	.037	.037	.037	.048	.047	.037
Posey	.031	.032	.037	.035	.044	.044	.044	.042	.032	.049	.039
Pulaski	.029	.027	.027	.030	.032	.032	.029	.028	.033	.032	.030
Putnam	.033	.014	.015	.014	.042	.041	.040	.038	.044	.041	.032
Randolph	.023	.025	.031	.028	.031	.028	.025	.029	.032	.015	.027
Ripley	.049	.047	.043	.045	.040	.033	.033	.031	.047	.045	.041
Rush	.023	.022	.022	.022	.022	.022	.019	.017	.018	.017	.020
St. Joseph	.037	.031	.039	.037	.036	.036	.039	.041	.054	.059	.041
Scott	.058	.068	.061	.059	.053	.045	.038	.031	.032	.030	.048
Shelby	.026	.025	.023	.023	.025	.029	.030	.034	.037	.035	.029
Spencer	.075	.079	.075	.074	.072	.063	.056	.053	.063	.060	.067
Starke	.020	.020	.023	.025	.025	.018	.024	.026	.027	.028	.024
Steuben	.030	.027	.028	.030	.033	.029	.029	.029	.036	.038	.031
Sullivan	.032	.046	.040	.057	.058	.069	.065	.060	.074	.072	.057
Switzerland	.044	.028	.032	.030	.027	.032	.027	.026	.033	.037	.033
Tippecanoe	.014	.012	.012	.009	.020	.020	.020	.019	.023	.022	.017
Tipton	.012	.015	.015	.015	.014	.013	.015	.013	.015	.014	.014
Union	.014	.018	.021	.026	.018	.024	.022	.019	.018	.017	.020
Vanderburgh	.043	.044	.045	.046	.047	.056	.056	.056	.066	.069	.053
Vermillion	.017	.030	.032	.034	.036	.039	.039	.037	.048	.044	.036
Vigo	.041	.042	.048	.050	.049	.046	.048	.043	.050	.045	.046
Wabash	.028	.038	.038	.038	.038	.037	.033	.032	.039	.037	.036
Warren	.014	.013	.016	.019	.022	.011	.023	.019	.022	.019	.018
Warrick	.059	.052	.054	.062	.061	.053	.055	.053	.069	.066	.058
Washington	.054	.046	.054	.045	.046	.040	.038	.041	.052	.048	.046
Wayne	.032	.033	.027	.027	.019	.025	.023	.022	.032	.034	.027
Wells	.024	.028	.026	.026	.023	.025	.021	.027	.019	.017	.024
White	.024	.027	.027	.028	.029	.028	.024	.023	.029	.026	.027
Whitley	.035	.030	.032	.040	.030	.031	.029	.030	.038	.035	.033
Average	.033	.033	.035	.036	.037	.038	.038	.039	.047	.039	.038
S. Dev.	.014	.013	.013	.013	.013	.013	.013	.015	.017	.018	.013
Geo. Mean	.031	.031	.031	.032	.034	.033	.033	.032	.037	.036	.033

a tendency to vary much the same as commodity price index numbers, while interest-bearing indebtedness varies according to obligations contracted or payments made. This fixed quality of bonded debt is responsible for the paradoxical position of state and local finance where the total debt of these units is being reduced at the same time that the relative debt is being increased.

The geometric mean is perhaps more representative of the annual average for the data in Table 2 than the arithmetical mean.[1] If the ratios of the geometric mean to the measures which it exceeds be multiplied together, the product will equal that secured by multiplying together the ratios to the geometric mean of the measures exceeding it in value. The geometric mean is, in fact, a means of averaging ratios. The geometric means for Table 2 gradually increase throughout the ten year period.

The last column in Table 2 is the ten year arithmetical average of the ratios for each county. The arithmetical average seems more representative of these data, first, because of the very limited range and small number of cases, and second, because of the identity of the elements composing the ratios.

The range for the ten year average in Table 2 is from .0124 to .0670. Throughout the ten year period Johnson County had an average debt of 1.24 per cent of the assessed valuation, while Spencer County had an average debt of 6.7 per cent of the assessed valuation. The latter county had a ratio of total debt to assessed valuation 5.4 times as great as the former.

Ratio of School to Civil Debt

In Table 3 data are assembled which show the relation between indebtedness for school and for civil functions for each county of the state for the period from 1924 to 1933, inclusive. In terms of the average for all counties of the state, the ratio of the school debt to the civil debt has constantly increased throughout the ten year period. In 1924 the school debt was .442 of the civil debt and by 1933 it had increased to .631 of the civil debt. During the years 1931, 1932 and 1933 there has been very little debt contracted, either civil or school. The increase in

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[1] Frederick Cecil Mills, Statistical Methods, p. 145. New York: Henry Holt and Company, 1924.

TABLE 3

RATIO OF SCHOOL DEBT TO CIVIL DEBT OF THE COUNTIES OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Adams	.158	.145	.132	.109	.080	.070	.098	.097	.082	.087	.106
Allen	.853	1.130	.937	.901	.929	.958	.854	.819	.591	.830	.880
Bartholomew	.439	.500	.543	.618	.671	.739	1.294	1.294	1.361	1.889	.935
Benton	.946	.686	1.737	1.359	1.058	.998	.937	.950	.907	1.028	1.061
Blackford	.685	.488	.468	.430	.575	.602	.623	.494	.482	.569	.542
Boone	.230	.256	.269	.375	.440	.435	.455	.503	.512	.447	.392
Brown	.139	.232	.217	.409	.452	.428	.460	.723	.592	.677	.433
Carroll	.276	.427	.464	.349	.354	.377	.378	.348	.405	.406	.378
Cass	.414	.487	.584	.534	.547	.565	.560	.509	.518	.451	.517
Clark	.130	.174	.143	.383	.300	.443	.339	.569	.498	.487	.347
Clay	.457	.377	.381	.704	.300	.239	.246	.214	.211	.223	.335
Clinton	.279	.471	.517	.544	.509	.373	.580	.568	.627	.546	.501
Crawford	.135	.101	.050	.131	.133	.197	.157	.185	.087	.056	.123
Daviess	.404	.415	.348	.332	.377	.214	.250	.262	.219	.132	.295
Dearborn	.146	.140	.157	.169	.237	.159	.179	.171	.155	.164	.168
Decatur	.199	.345	.348	.361	.346	.310	.349	.339	.348	.371	.332
Dekalb	.551	.592	.568	.374	.334	.402	.404	.387	.307	.499	.442
Delaware	1.108	1.073	1.088	1.347	1.606	1.913	1.905	1.649	1.524	1.414	1.463
Dubois	.042	.124	.137	.150	.152	.161	.187	.179	.194	.255	.158
Elkhart	.546	.526	.421	.407	.291	.332	.310	.298	.288	.274	.369
Fayette	1.057	1.128	.992	1.134	1.221	1.496	1.822	2.138	2.605	2.680	1.627
Floyd	.187	.168	.172	.463	.472	.416	.388	.316	.308	.297	.319
Fountain	.176	.187	.313	.500	.521	.377	.445	.452	.424	.486	.388
Franklin	.460	.407	.349	.418	.516	.316	.431	.571	.438	.442	.435
Fulton	.210	.198	.393	.368	.357	.391	.389	.569	.592	.612	.408
Gibson	.313	.305	.384	.341	.340	.410	.284	.316	.330	.298	.332
Grant	1.002	1.093	1.018	.685	.906	.926	.865	.903	.814	.810	.902
Greene	.257	.286	.203	.282	.320	.304	.226	.251	.247	.257	.263
Hamilton	.232	.301	.424	.340	.277	.247	.542	.597	.680	.590	.423
Hancock	.768	1.072	1.486	2.350	2.256	1.608	1.845	1.727	1.890	1.861	1.686

TABLE 3 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Harrison	.217	.190	.160	.186	.149	.159	.156	.098	.096	.133	.154
Hendricks	.434	.462	.418	.357	.641	.706	.753	.961	1.165	1.302	.720
Henry	1.860	2.197	2.332	2.069	2.208	1.471	1.219	.953	.578	.603	1.549
Howard	.761	.826	.436	.842	.816	1.019	1.265	1.365	1.483	1.792	1.061
Huntington	.498	.726	.469	.465	.573	.337	.641	.668	.614	.664	.566
Jackson	.567	.625	.801	.824	.716	.765	.830	1.063	.872	.862	.793
Jasper	.177	.216	.350	.423	.353	.448	.300	.262	.288	.300	.312
Jay	.128	.270	.244	.270	.268	.272	.246	.242	.246	.282	.247
Jefferson	.279	.242	.259	.295	.313	.455	.463	.477	.475	.387	.365
Jennings	.300	.413	.418	.494	.583	.637	.542	.545	.579	.705	.522
Johnson	.250	.338	.430	.795	1.016	.951	1.157	.989	1.111	1.306	.834
Knox	.401	.409	.572	.544	.456	.421	.392	.365	.358	.509	.443
Kosciusko	.316	.278	.283	.236	.394	.419	.364	.406	.336	.496	.353
Lagrange	.176	.291	.290	.258	.223	.184	.327	.338	.322	.315	.272
Lake	.654	.709	.678	.471	.474	.469	.416	.340	.476	.468	.516
LaPorte	.216	.323	.312	.368	.346	.345	.322	.395	.376	.318	.332
Lawrence	.532	.591	.684	.611	.549	.567	.490	.403	.383	.409	.522
Madison	.292	.364	.459	.479	.466	.493	.421	.382	.388	.404	.415
Marion	.532	.483	.489	.553	.592	.596	.469	.399	.456	.441	.501
Marshall	.262	.262	.268	.258	.489	.420	.459	.460	.474	.531	.388
Martin	.053	.043	.062	.218	.241	.291	.356	.226	.109	.078	.168
Miami	.367	.385	.372	.434	.217	.446	.432	.399	.388	.402	.384
Monroe	.460	.413	.578	.583	.529	.507	.574	.511	.402	.435	.499
Montgomery	.445	.443	.367	.286	.397	.291	.299	.307	.319	.337	.349
Morgan	.288	.266	.268	.396	.374	.340	.365	.491	.591	.809	.419
Newton	.588	.705	.826	.880	.858	.800	.925	.708	.698	.616	.760
Noble	.185	.225	.175	.212	.281	.280	.261	.244	.192	.230	.229
Ohio	.000	.299	.148	.142	.137	.122	.124	.106	.106	.105	.129
Orange	.155	.193	.313	.454	.376	.428	.343	.313	.257	.263	.310
Owen	.144	.262	.313	.319	.491	.436	.388	.387	.382	.731	.385
Parke	.823	.905	.510	.528	.471	.469	.476	.766	.451	.469	.587

TABLE 3 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Perry	.154	.210	.207	.239	.332	.386	1.221	1.230	1.299	1.197	.648
Pike	.184	.138	.150	.157	.244	.211	.179	.168	.162	.153	.175
Porter	.233	.238	.306	.295	.396	.363	.374	.365	.359	.374	.330
Posey	.092	.180	.149	.146	.264	.227	.235	.235	.278	.310	.212
Pulaski	.343	.297	.472	.488	.377	.347	.352	.291	.279	.429	.368
Putnam	.341	1.324	1.520	1.589	.336	.275	.250	.242	.208	.206	.629
Randolph	.663	.579	.609	.527	.536	.525	.534	.389	.387	1.379	.613
Ripley	.121	.170	.180	.231	.256	.285	.281	.264	.169	.167	.212
Rush	.231	.105	.237	.457	.625	.444	.840	.898	1.108	1.154	.610
St. Joseph	.679	1.129	.787	.839	.832	.806	.634	.685	.578	.540	.751
Scott	.239	.179	.203	.339	.316	.362	.379	.580	.572	.749	.392
Shelby	.424	.470	.604	.667	.857	.774	.684	.560	.662	.704	.641
Spencer	.098	.167	.224	.282	.315	.336	.411	.359	.320	.321	.283
Starke	.623	.600	.569	.808	.763	.162	.780	.627	.487	.642	.606
Steuben	.223	.187	.138	.223	.313	.451	.393	.326	.560	.608	.342
Sullivan	.322	.385	.427	.327	.323	.253	.244	.244	.259	.269	.305
Switzerland	.105	.133	.135	.116	.116	.081	.094	.073	.118	.104	.108
Tippecanoe	.313	.270	.294	1.973	1.398	1.525	1.388	.993	1.083	1.147	1.038
Tipton	1.851	1.865	1.266	1.349	1.290	1.725	1.926	2.348	2.649	2.895	1.916
Union	3.291	2.823	1.776	1.353	.905	1.146	1.291	1.370	1.710	2.272	1.794
Vanderburgh	.417	.483	.519	.555	.581	.471	.457	.423	.378	.359	.464
Vermillion	.984	.565	.464	.515	.537	.417	.422	.478	.448	.489	.532
Vigo	.294	.276	.526	.483	.553	.607	.551	.547	.553	.669	.506
Wabash	.195	.281	.338	.371	.510	.725	.829	.793	.837	.963	.584
Warren	.122	.120	.290	.275	.334	.767	.555	.563	.631	.845	.450
Warrick	.264	.268	.326	.302	.301	.325	.325	.296	.274	.290	.297
Washington	.042	.049	.106	.137	.136	.113	.138	.090	.108	.097	.102
Wayne	1.308	1.314	1.644	1.454	1.113	1.533	1.459	1.800	1.156	.945	1.373
Wells	.998	1.399	1.474	1.316	1.649	1.176	1.086	.884	1.008	1.081	1.207
White	.289	.333	.380	.388	.241	.286	.307	.272	.245	.237	.298
Whitley	.080	.068	.201	.496	.188	.338	.366	.374	.553	.637	.330
Average	.442	.487	.501	.552	.541	.537	.571	.573	.572	.631	.541
Geo. Mean	.314	.354	.380	.437	.439	.501	.458	.448	.435	.468	.438

the ratio is probably due to the more rapid retirement of the civil debt, rather than to greater support of schools during this period. The geometric means for Table 3, which are probably more representative of the data in the columns, show the greatest average ratio occuring in the year 1929.

The arithmetical averages for the ten year period shown in Table 3 vary more widely than those in Table 2. The lowest ten year average ratio of the school debt to the civil debt is that of Adams County where the average is .106, while the highest is Tipton County with 1.916. Tipton County has a school to civil debt ratio throughout a ten year period 18.1 times that of Adams County.

The question naturally arises as to what causes the wide variations in both the total debt assessed valuation ratios and the school debt - civil debt ratios. There is the further question as to the possibility or even the desirability of decreasing or eliminating these variations.

Population and Wealth Trends in the State

The population trends for the various counties of the state vary considerably, as shown in Appendix Tables 18 and 19. The data used in these tables are taken from the United States census for the years 1840 to 1930, inclusive.

The constitutional provisions in regard to the territorial extent of counties and townships have kept these units of government within the geographical limits of their organization. These provisions are partially responsible for the static condition, both territorial and administrative, found in the state's direction of local government. The tendency for wealth and population to concentrate in certain definite areas in the state has led to pertinent differences in ability to support government. During the period from 1816 to 1900 these differences in wealth and population were not so noticeable and local units of government in all parts of the state were able to attain approximately the same degree of efficiency without there seeming to be such a vast difference in effort. The state, during this period, pursued a policy of regulating and advising with these local units of government rather than attempting to administer them. By the year 1900, as shown by Table 4, fifty-five of the counties had attained their maximum population. Thirty-five attained their maximum population in 1900.

TABLE 4

THE CENSUS DATE ON WHICH THE COUNTIES ATTAINED THEIR MAXIMUM POPULATION AND THE DATE ON WHICH THEY ATTAINED A POPULATION GREATER THAN THE POPULATION OF 1930

Counties	1840	1850	1860	1870	1880	1890	1900	1910	1920	1930
Number of Counties Attaining Maximum Population	1			5	9	5	35	9	5	23
Number of Counties Attaining Population Greater than that of 1930	2	6	7	9	14	11	12	4	4	

TABLE 5

POPULATION INCREMENTS FOR INDIANA AND ITS TWELVE MOST RAPIDLY GROWING COUNTIES, BY DECADES, FROM 1890 TO 1930

Counties	1890 to 1900	1900 to 1910	1910 to 1920	1920 to 1930
Lake	4,006	44,972	77,093	101,353
Marion	56,071	66,434	84,400	74,605
LaPorte	3,941	7,411	4,646	10,047
St. Joseph	16,424	25,431	18,992	56,729
Allen	10,581	16,116	20,917	32,440
Vanderburgh	11,960	5,669	14,855	21,027
Howard	2,389	4,602	10,788	2,731
Wayne	1,342	4,787	4,379	6,673
Vigo	11,840	25,895	12,282	- 1,351
Elkhart	5,851	3,956	7,376	12,491
Delaware	19,493	1,790	4,963	10,893
Madison	33,983	- 5,246	3,927	13,737
Total Twelve Counties	177,881	201,817	264,618	341,375
State	324,058	184,414	229,514	308,113
Difference	-146,177	17,403	35,104	33,262

The table further shows that by 1930 only twenty-three of the ninety-two counties had a population greater than the population they had attained at some previous census date. The territorial units of local government have remained the same during this shift in population. Originally, the organization of the counties depended upon population, thus emphasizing the fact that previous to the adoption of the state constitution, population was the pertinent factor in the organization of local governmental units; however, since the adoption of the constitution, the process has been reversed and the emphasis placed on territorial units rather than units of population.

This tendency for population to concentrate in certain restricted areas is further shown by the data presented in Table 5. Here the increments in population of the twelve most rapidly growing counties are compared to the increments for the state as a whole. In 1900 the state gained 324,058 while the twelve counties gained 177,881; however, for the years 1910, 1920 and 1930 the twelve counties actually gained population at a more rapid rate than the state. The figures representing the increases made by the state include the increase of the twelve counties. The trend in population is perhaps presented in a more accurate manner by removing the twelve counties from the table. When this is done the state shows a loss in population during the past three decades, the loss being 17,403 from 1900 to 1910, 35,104 from 1910 to 1920, and 33,262 from 1920 to 1930. The long term indebtedness of the counties, townships, cities and towns has been assumed with the idea that the rapid growth in population and wealth would reduce the load to the point where it would be negligible. While this was partially true for that period from 1816 to 1900, it has not been the experience of about eighty of the counties during the past three decades.

The data presented in Appendix Table 19 are based on the United States census figures for the years of 1920 and 1930. The annual population of the counties as presented for the years between 1920 and 1930 and for the years following 1930 is determined by a process of straight line depreciation or appreciation, depending on the population trend as shown by the census figures for these respective census dates. The trend as depicted by the figures on these dates has been fairly constant since 1900.

Summary

The democratic state attempts to supply to its citizenship two general types of service. First, it is essential to the preservation of democratic society that the citizenship be intelligent. The democratic state, realizing this necessity, attempts, through such institutions as the schools, public health departments and social security agencies, to develop a strong, contented and intelligent citizenship. Secondly, the political and economic rights of the citizenship are also of pertinent interest to the state. The effort is made to provide a social order such that these rights and benefits accrue to the citizens in proportion to the effort they are willing to expend in their own behalf. The state concerns itself primarily with these theses, attempting to secure a just and equitable operation of these principles.

The large territory governed by a state makes it necessary that smaller geographical areas be laid out and certain of these governmental activities entrusted to local officers in these smaller areas. These subdivisions of the state in Indiana are designated as counties, townships, cities and towns. A certain amount of prestige and pride attaches to these local units of government, along with a sort of vested interest which causes an area to become very reluctant to relinquish governmental powers, once it has been accustomed to exercising them. Some of these powers are overlapping in the state, county, township, cities and towns.

These various subdivisions of the state finance the governmental activities entrusted to them. In certain governmental activities, such as education, the state attempts to secure a certain level of efficiency by financial aid to the units of government less able to carry on their own program. Certain of these local units of government find it necessary to expend capital in considerable sums for plant and equipment. The Indiana Constitution of 1851 placed a debt limit of two per cent of the assessed valuation of all property on these governmental units. Since the constitutional convention, this limit has been raised by statute and by a series of court interpretations. The Supreme Court has decided that each separate unit of government can bond property for two per cent of its assessed valuation, and, in addition, for taxing and bonding purposes, has created a unit known as the taxing district. The possibility for bonding property under these statutes

and decisions has been greatly extended.

The constitution denies the state government this bonding power; however, the local units of government have accumulated an enormous bonded debt. The ratio of total debt to assessed valuation is particularly enlightening to the student of school administration.

During the period from 1924 to 1933, inclusive, this ratio is constantly increasing. The school debt - civil debt ratio also increases throughout the ten year period. The debt contracted by the local corporations remains constant while the assessed valuation varies much the same as the price level; consequently, the total debt - assessed valuation ratio tends to rise during a period of falling prices even though the corporations are retiring the old debt during this period and refuse to contract any new debt. The increase in the school debt - civil debt ratio is due largely to the shorter term for which most civil debt is contracted. The shorter the term the more rapid the retirement of the debt.

The population statistics show twenty-three of the ninety-two counties attaining their maximum population in 1930; the other sixty-nine, at some time in their history, had a larger population than they had in 1930. There has been a tendency to bond the local units of government without much hesitation. The local officials have faith in the growth of their communities in both wealth and population. This unique faith, along with the odd notion that they are capitalizing the future, accounts, in part, for the numerous bond issues.

CHAPTER IV

EXPENDITURES FROM PROPERTY TAX REVENUES FOR SCHOOL AND CIVIL PURPOSES, 1924 TO 1933

State and Local School Support

The schools of the state are supported by both the state and the local school units.

The revenue supplied by the state for school purposes, up to 1933, originated from the Congressional Township Fund, from the Common School Fund, and from direct state levies on general property. The Congressional Township Fund is a permanent state fund; however, separate portions of the principal and interest belong to the inhabitants of the original congressional townships.[1] The congressional townships are not units of government at the present time. A congressional township is often composed of territory lying in more than one civil township, and at times, in more than one county. This condition causes considerable bookkeeping which, in the end, is of very minor importance since in the apportionment of the other state revenue, the apportionment to the inhabitants of an original congressional township is taken into account, so that they receive no more from the state than if they did not have a specific share in the Congressional Township Fund.[2] This Congressional Township Fund originated from the sale of the sixteenth section of land in each congressional township. When the state was admitted to the Union, the federal government granted this land to the state for school purposes. Because of the previous court decision, these funds are kept separate, but in the distribution of the revenue and for all practical purposes they are treated as one fund.

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[1] Quick v. Whitewater Township, 7 Ind. 750.

[2] Gilbert H. Hendren, Special Report Concerning Common School Funds, p. 7. Indianapolis: Wm. B. Burford, 1918.

The Public Permanent Common School Fund

The Public Permanent Common School Fund is the result of summing several minor funds that had been created as permanent endowments for school purposes. The Constitutional Convention of 1851 made definite provision for the consolidation and care of these funds.

ARTICLE VIII of the Indiana Constitution of 1851 states:

> Sec. 2. The Common School Fund shall consist of the Congressional Township Fund and the lands belonging thereto; the Surplus Revenue Fund; the Saline Fund and the lands belonging thereto; the Bank Tax Fund and the fund arising from the one hundred and fourteenth section of the charter of the State Bank of Indiana; the fund to be derived from the sale of county seminaries, and the moneys and property heretofore held for such seminaries; from the fines assessed for breaches of the penal laws of the State; and from all forfeitures which may accrue; all lands and other estate which shall escheat to the State for want of heirs or kindred entitled to the inheritance; all lands that have been or may hereafter be granted to the State, where no special purpose is expressed in the grant and the proceeds of the sales thereof; including the proceeds of the sales of the swamp lands granted to the State of Indiana by the act of Congress, of the 28th of September, 1850, after deducting the expense of selecting and draining the same; taxes on the property of corporations that may be assessed by the General Assembly for common school purposes.[1]
>
> Sec. 3. The principal of the Common School Fund shall remain a perpetual fund, which may be increased, but shall never be diminished; and the income thereof shall be inviolably appropriated to the support of common schools, and to no other purpose whatever.[2]
>
> Sec. 4. The General Assembly shall invest, in some safe and profitable manner, all such portions of the Common School Fund as have not heretofore been entrusted to the several counties; and shall make provisions, by law, for the distribution, among the several counties, of the interest thereof.[3]
>
> Sec. 5. If any county shall fail to demand its proportion of such interest for common school purposes, the same shall be reinvested for the benefit of such county.[4]
>
> Sec. 6. The several counties shall be held liable for the preservation of so much of the said fund as may be entrusted to them, and for the payment of the annual interest thereon.[5]
>
> Sec. 7. All trust funds held by the State shall remain

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[1]Indiana Yearbook, Constitution of Indiana, 1851, p. 751. Indianapolis: Wm. B. Burford, 1917.

[2]Ibid., p. 752. [3]Ibid., p. 752. [4]Ibid., p. 752.

[5]Ibid., p. 752.

> inviolate and be faithfully and exclusively applied to the purposes for which the trust was created.[1]

During the presidential term of Andrew Jackson, in the year 1835, the United States Treasury found itself free from debt and in possession of surplus revenue to the amount of $42,000,000. Congress ordered this money to be distributed among the several states in proportion to their representation in congress. The Indiana Assembly passed an act specifying that one-half of the surplus revenue, as received from the United States Treasury, was to be distributed to the counties as a fund to be loaned for the benefit of the common schools. The state never received the full amount as designated by the national congress; however, the state did receive $860,254.44 from the United States Treasury, of which $573,502.45 was placed in the care of the Auditor of State, to be loaned for the benefit of the schools.[2]

The Bank Tax Fund was created by an act of January 28, 1834. This act granted a charter to the State Bank of Indiana, and provided that one-half of the stock of the State Bank was to be held by the State of Indiana and one-half by citizens of the districts in which the bank and its branches were located. An annual tax of twelve and one-half cents per share was placed on the stock held by individuals. The moneys collected by this tax were to be held in trust by the State Treasurer and loaned for the benefit of schools in the same manner as the Surplus Revenue Fund. The bank charter expired in 1859 and the State Auditor's report for that year shows the total tax received from the State Bank was $80,482.05.[3]

At the time that Indiana was admitted to the Union, the United States Congress granted thirty-six sections of land to the state to be used for the extraction of salt. This land was worked unsuccessfully for several years; later, permission was obtained to sell the lands and use the revenue as a permanent fund for educational purposes. The state realized $48,849.57 from the sale of these saline lands.[4]

The State Legislature passed a County Seminary Law in 1818. In the course of time many additional seminary laws were passed;

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[1] Ibid., p. 752. [2] Hendren, op. cit., p. 10.

[3] Ibid., p. 10. [4] Ibid., p. 11.

however, since the only legislated support of these institutions was through fines paid for breaches of the peace and from 'conscience money' which was paid by the Friends who were opposed to militia duty, the seminaries grew slowly and were often in financial difficulties. It can be seen in the constitutional debates of 1851 that the county seminary was unpopular with the country members who denounced it as an 'advanced district school for the benefit of the county seat.' The Constitutional Convention of 1851 framed its constitution to force the sale of seminaries and included the Seminary Fund in the Common School Fund. By this action $101,587.94 was added to the Common School Fund.[1]

The sale of certain low lands, designated by an act of congress in 1850 as swamp lands, resulted in an addition of $68,971.90 to the Common School Fund.[2]

The Sinking Fund consisted of earnings of the State Bank in excess of actual running expense. This fund, at the expiration of the charter of the State Bank, was transferred to the Common School Fund.[3]

State School Lands, Escheated Estates, Corporation Taxes and Fines and Forfeitures have all added to the Common School Fund. The greatest addition at present is by way of Fines and Forfeitures.

In addition to the constitutional provisions there are a number of statutory provisions in favor of the Common School Fund. The following titles designate the principal statutory enactments in favor of the Common School Fund: Michigan Road Land Funds; Coroner's Find of Property; Estrays and Articles Adrift; Veterinarian Board Excess Fees; Optometry Surplus Fees; Hydrophobia Fund; Transient Merchant's Licenses and Exhibition License.

Custodian of the Public Permanent Common School Fund

The Auditor of State at present acts as custodian of both the Public Permanent Common School Fund and the Congressional Township Fund. The funds are apportioned among the counties where they are placed in charge of the County Auditor. The County Auditor loans the funds, accepting as security first mortgages on real estate. There is no definite ratio for the distribution of these

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[1] Ibid., p. 12. [2] Ibid., p. 18. [3] Ibid., p. 19.

funds among the counties. The amount each county secures depends on the activity of the County Auditor. The several counties are charged six per cent annually on the total funds in their possession. This rate was reduced to five per cent annually in 1934. The proceeds are paid to the State Auditor who reapportions these same proceeds among the counties. Until 1933 this apportionment was made on the basis of school enumeration. The school enumeration was obtained by taking an annual census of all persons between the ages of six and twenty-one. The legislature of 1933 changed the basis of apportionment to average daily attendance.

State Levy on Property for Schools

The State of Indiana has also used a direct levy on property to supplement the returns from the two permanent funds. This levy has been distributed on the same basis and at the same time as the returns from the two funds.

The Constitutional Convention of 1851 and the legislature of 1852 probably had in mind a school system with the state as the unit for purposes of tuition support.[1] In 1852 local taxes might be levied for all school purposes other than the payment of teachers' salaries. The state attempted to pay teachers' salaries from 1852 until 1867.[2] The legislature, however, would not provide sufficient funds to pay teachers' salaries, so in 1867 the State Supreme Court declared a local tuition tax law constitutional and from that time until the present local corporations have contributed generously to the support of schools.[3] The taxing powers of the local school corporations are liberal and they are exercised without review by civil authorities except in compliance with the property tax limitation provisions and on petition as explained in the first chapter.

The state school revenue including all income from the school funds and from direct school levies was distributed on the basis of school population from 1852 until 1905.[4] School population during the period from 1852 to 1873 included all children between the ages of seven and seventeen, but from 1873 to 1933 it

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[1] Public Education in Indiana, A Report of the Indiana Educational Commission, p. 182. New York: General Education Board, 1923.

[2] Ibid., p. 183. [3] Ibid., p. 183. [4] Ibid., p. 184.

has included all children between the ages of six and twenty-one, inclusive. The legislature in 1933 changed the basis for distribution of school revenue from school population to average daily attendance.

Differences in Ability of Local Units to Support Education

The change from the state to local unit for purposes of school support presented the state with the problem of the difference in ability of the various local units to support education. In 1905 the legislature enacted a law authorizing the State Superintendent of Public Instruction to deduct 5.2 per cent of the amount raised by the state school levy to be apportioned on a basis other than the school census.[1] This law provided for reimbursement on school expenditures for tuition purposes when a local unit had levied forty cents on the hundred dollars and found itself unable to maintain a six months term. The legislature in 1919 increased the percentage of the state levy that should be available for purposes of school relief from 5.2 to 8.2 per cent.[2] The state levy for school purposes was reduced from 13.6 cents in 1918 to 5.2 cents in 1919, but was raised to 7 cents in 1921 and continued at 7 cents until the present time, as shown in Table 6. It will be noticed that while the percentage to be used for state aid was increased slightly, the state levy was materially reduced. The legislature in 1921 set aside thirty per cent of the school levy for purposes of school relief and in addition to reimbursement for tuition permitted the state to reimburse the poorer units for transportation.

The legislature of 1925 added equipment and repair to the list of items for which the state would be permitted to reimburse the local units, thus permitting aid for practically all expenditures except capital outlay. In 1929, 45 per cent, and in 1933, 100 per cent of the state school levy was set aside for purposes of state school relief. In 1929, the State Superintendent of Public Instruction was directed to inspect and approve all operating expenditures of state aid corporations and to audit all claims for state relief funds. The legislature of 1931 transferred the

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[1] Ibid., p. 182. [2] Ibid., p. 182.

auditing of these claims to the State Board of Accounts. The amount of state school revenue distributed to the ninety-two counties of the state, as well as the state school revenue distributed to the state aid corporations is presented in Table 6. The data shown in Table 6 are on file in the office of the Auditor of the State. The variations in the state school levy as well as the per cent of the levy used for state aid is presented for the years 1915 to 1933, inclusive.

TABLE 6

THE STATE SCHOOL LEVY, THE PER CENT AVAILABLE FOR RELIEF AID, AND THE DISTRIBUTION OF STATE SCHOOL REVENUE FROM 1915 TO 1933, INCLUSIVE

Year	State School Levy	Per Cent Granted for Relief Aid	Revenue Distributed on School Census	Revenue Used for Relief Aid	Total Revenue Distributed
1915	$0.136	5.2	$3,239,151.62	$ 144,835.72	$3,383,987.34
1916	0.136	5.2	3,495,014.79	86,130.50	3,581,145.29
1917	0.136	5.2	3,392,316.96	149,509.68	3,541,826.64
1918	0.136	5.2	3,475,760.82	152,118.58	3,627,879.40
1919	0.052	8.2	3,575,401.03	160,127.42	3,735,528.45
1920	0.056	8.2	3,567,967.84	264,549.43	3,832,517.27
1921	0.070	30.0	3,435,334.19	384,100.97	3,819,435.16
1922	0.070	30.0	3,650,279.63	363,231.06	4,013,510.69
1923	0.070	30.0	3,490,734.53	387,783.47	3,878,518.00
1924	0.070	30.0	4,309,425.07	459,115.88	4,768,540.95
1925	0.070	30.0	4,125,340.97	784,021.89	4,909,362.86
1926	0.070	30.0	4,462,086.03	767,570.92	5,229,656.95
1927	0.070	30.0	3,735,751.76	1,044,578.00	4,780,329.76
1928	0.070	30.0	3,622,555.63	1,178,903.42	4,801,459.05
1929	0.070	45.0	3,613,830.28	1,142,215.03	4,756,045.31
1930	0.070	45.0	3,019,177.57	1,224,290.68	4,243,468.25
1931	0.070	45.0	2,789,349.29	1,825,520.06	4,614,879.35
1932	0.070	45.0	2,505,602.18	2,546,884.40	5,054,987.99
1933	0.070	100.0	2,436,113.57	1,789,466.51	4,225,580.08

The revenues distributed by the state as shown in the preceding table are not taken into consideration in the preparation of the remaining tables in this chapter. This procedure has been employed in order that comparisons might be drawn in terms of expenditures by local units from local tax revenues only. In case certain portions of the available resources of local corporations are received from the state as a whole, the expenditures from these contributions are not criteria of inequality either in the effort or the ability of the corporations to support government. The revenues received from the general state levies and the revenues

received from the apportionment of the Public Permanent Common School Funds are deducted from the gross expenditures for each corporation. Transfer receipts are also deducted from the expenditures of all corporations, otherwise their expenditures from tax revenues would be exaggerated by the sum of such receipts. It is evident that the corporations paying the transfers are carrying this charge.

Increase in School Expenditures

In 1867, the date of the establishment of the local school units for administrative and financial purposes, the variations in wealth and population of these units were not the most significant factors in relation to school support; however, the trend toward definite population and wealth areas is apparent at this date, and by 1900 it is an established fact. The most significant fact in regard to school administration and finance is that governmental expenditures for school purposes, through the stimulus of legislative enactment, began to increase quite rapidly in 1899. The legislature on this date established a minimum school term of six months; a few years later the minimum was raised to eight months and permissive legislation was enacted, for those units financially able, to increase the length of term at their own discretion.[1] The legislature in 1907 enacted a compulsory attendance law which through the liberal interpretation of the courts not only forced practically all children into the elementary schools but caused a large majority of the more rapidly moving students to enter the secondary schools as well.[2] At the same session a teachers' minimum wage law was enacted.[3] This act was amended again in 1920. The minimum salary was placed at $800.00. A salary schedule was enacted into laws that attempted to reward training, merit and experience.[4] The legislature during the period from 1900 to 1933 enacted a series of laws dealing with consolidation of rural schools and transportation of the pupils to and from school. The consolidation of schools and transportation of pupils caused the expenditure of large sums for new buildings and school busses as well as

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[1]Grover Van Duyn, School Laws of the State of Indiana, p. 45. Indianapolis: Wm. B. Burford, 1932.

[2]Ibid., p. 344. [3]Ibid., p. 65. [4]Ibid., p. 65.

an increase in operating costs. These unprecedented expenditures for school purposes were occuring during the period that wealth and population were also showing the greatest tendency toward concentration.

Relative Ability of Local Units to Support Government

Tables 7 and 8 in this chapter are compiled for purposes of comparing the relative ability of the local units to support government and to observe the effect of increasing the size of the units. The further attempt is made to measure the effect of the period of economic adjustment on the relative ability of the different units to support government. Table 7 is compiled for the local units of five Indiana counties. These counties range from the wealthiest to the poorest.

The data appearing in the tables are obtained by computing the ratio of the assessed valuation to the total population: first for the local units and secondly for the ninety-two counties of the state. This ratio is often termed the per capita wealth, and a state that depends almost wholly on the general property tax to finance all affairs of government finds the per capita wealth a fairly reliable index of the relative ability of the various units to support government.

The most significant feature of the first table is the wide variation in the per capita wealth of the local units. Grant Township, Benton County, in 1924, had, according to assessed valuation $8,393.55 per inhabitant while Union Township, Crawford County, had only $356.32. The per capita wealth of Grant Township was 23.55 times as great as the per capita wealth of Union Township. This variation can perhaps be presented with better effect by supposing that Grant Township finds for purposes of government that a tax rate of one per cent is required; then should Union Township desire an equally expensive government, a tax rate of 23.55 per cent would be necessary. The 1933 figures show that Grant Township has a per capita wealth 19.64 times as great as Union Township, while the ten year average for the period 1924 to 1933 indicates that Grant Township has a per capita wealth 22.21 times as great as Union Township. The mean per capita wealth of the ten year averages of the sixty-four units is $1821.83. The most extreme cases are above the mean. The standard deviation of the series is $1402.88. Three

TABLE 7

PER CAPITA WEALTH, AS SHOWN BY ASSESSED VALUATION, FOR THE LOCAL UNITS OF FIVE INDIANA COUNTIES, RANGING FROM WEALTHIEST TO POOREST, 1924 TO 1933, INCLUSIVE

Counties and Local Units	1924	1925	1926	1927	1928	1929
BENTON						
Parish Grove	$6592.12	$5749.36	$5710.53	$4937.19	$4604.38	$4589.53
Pine	7307.55	5992.70	6014.46	5164.28	4772.51	4773.72
Oak Grove	3895.34	3467.39	3494.28	3134.42	2931.76	2891.45
Gilboa	2786.67	2415.55	2381.42	2055.73	1956.46	1958.68
York	8151.45	7380.26	7310.57	6563.60	5949.61	5992.99
Center	3438.62	3154.38	3146.59	2892.09	2778.99	2712.08
Bolivar	4052.32	3602.69	3567.76	3143.06	2793.37	2844.39
Union	6270.84	5517.72	5366.10	4657.12	4413.22	4395.04
Richland	4765.87	4322.40	4235.34	3780.88	3546.10	3553.04
Grant	8393.55	7220.16	7216.33	6486.38	6123.53	6062.23
Hickory Grove	4303.72	3810.68	3761.99	3401.30	3219.16	3211.33
WHITLEY						
Cleveland	2488.83	2360.78	2410.65	2261.74	2183.23	2042.27
Richland	3305.77	3030.80	2985.11	2723.96	2602.81	2626.64
Troy	2045.31	1759.86	1772.14	1533.67	1416.24	1434.02
Etna	2093.07	1952.35	1907.65	1675.10	1541.23	1576.85
Washington	3179.84	3100.30	3083.85	2766.08	2549.14	2545.81
Columbia C. T	1119.63	1157.53	1141.54	1130.59	1096.83	1083.80
Columbia	3778.20	3585.87	3574.06	3243.54	3245.13	3220.02
Thorncreek	2103.66	1990.79	1954.68	1727.42	1651.68	1630.46
Jefferson	3080.15	2936.04	2933.54	2601.00	2377.42	2388.88
Union	3666.28	3533.95	3465.33	3167.90	2795.56	2892.92
Smith	1662.50	1586.08	1591.56	1404.25	1327.67	1321.71
HENRY						
Wayne	3673.61	3113.94	3144.02	2933.62	2735.12	2807.23
Knightstown T	937.84	991.35	971.15	970.35	919.34	925.03
Franklin	3502.32	3221.14	3258.59	3017.54	2873.53	2848.91
Dudley	3324.37	3182.69	3180.89	2945.52	2750.77	2733.91
Liberty	3410.79	3153.58	3201.45	2912.56	2740.99	2741.22
Henry	2037.97	1862.03	1949.63	1859.04	1819.85	1862.11
Newcastle T	1045.81	1101.31	1157.94	1165.35	1237.08	1258.56
Greensboro	2041.17	1890.11	1863.06	1700.57	1626.70	1617.23
Harrison	2574.17	2347.43	2355.29	2073.77	1899.22	1913.43
Fall Creek	2549.82	2193.26	2195.83	1983.73	1880.28	1858.63
Middletown T	834.62	862.21	874.24	884.46	859.90	882.61
Prairie	1648.98	1481.03	1603.55	1398.78	1300.24	1275.95
Stony Creek	2045.08	1668.67	1696.58	1555.43	1403.66	1392.80
Spiceland	2169.17	2048.54	2016.66	1910.49	1883.94	1848.28
Jefferson	2745.11	2459.53	2499.53	2284.30	2153.83	2105.17
Blue River	2316.23	2161.88	2127.08	1928.70	1830.76	1731.93
OWEN						
Wayne	1624.79	1563.28	1584.57	1479.99	1486.68	1395.79
Montgomery	983.57	900.79	901.80	753.39	741.22	734.24
Washington	1431.95	1253.22	1297.07	1137.72	1180.55	1081.47
Spencer T	958.95	992.78	952.88	949.98	930.11	897.66
Morgan	1026.32	961.00	914.50	824.64	717.98	789.82

TABLE 7

PER CAPITA WEALTH, AS SHOWN BY ASSESSED VALUATION, FOR THE LOCAL UNITS OF FIVE INDIANA COUNTIES, RANGING FROM WEALTHIEST TO POOREST, 1924 TO 1933, INCLUSIVE

Counties and Local Units	1930	1931	1932	1933	Average
BENTON					
Parish Grove	$4505.12	$4423.21	$3173.26	$3016.32	$4730.10
Pine	4691.56	4655.22	3243.32	3218.61	4983.39
Oak Grove	2873.72	2792.64	2042.22	1891.70	2941.49
Gilboa	1965.06	1909.89	1353.89	1318.56	2010.19
York	5962.07	5762.96	4460.72	4084.04	6161.83
Center	2663.67	2621.96	1937.29	1857.74	2720.34
Bolivar	2811.14	2834.10	2071.75	2027.56	2977.81
Union	4401.06	4330.55	2944.27	2910.99	4520.69
Richland	3552.36	3493.18	2546.81	2429.92	3622.59
Grant	6049.98	6024.48	4515.85	4161.95	6225.44
Hickory Grove	3226.88	3167.91	2232.72	2071.69	3240.74
WHITLEY					
Cleveland	2009.05	1941.18	1453.77	1320.09	2047.16
Richland	2602.30	2502.43	1864.97	1671.72	2591.65
Troy	1422.31	1407.11	1126.87	1067.53	1498.51
Etna	1569.83	1502.38	1130.92	1057.22	1600.66
Washington	2540.43	2420.29	1754.32	1617.15	2555.72
Columbia C. T	1098.22	1097.45	942.90	868.65	1073.71
Columbia	3244.22	3181.33	2500.17	2259.70	3183.22
Thorncreek	1632.73	1615.95	1243.91	1201.78	1675.31
Jefferson	2380.14	2292.29	1742.37	1607.63	2433.95
Union	2860.69	2769.80	2152.29	1951.16	2925.59
Smith	1326.77	1305.22	1015.80	937.86	1347.94
HENRY					
Wayne	2807.24	2720.33	2069.37	1959.72	2796.42
Knightstown T	917.27	878.71	723.98	591.29	882.63
Franklin	2804.90	2733.91	2093.77	1885.71	2824.03
Dudley	2661.31	2775.45	2150.88	2005.94	2771.17
Liberty	2968.96	2618.53	1982.45	1830.37	2756.09
Henry	1834.77	1809.06	1415.47	1339.42	1778.94
Newcastle T	1237.84	1203.19	993.36	910.29	1131.07
Greensboro	1581.44	1546.10	1112.90	1016.21	1599.55
Harrison	1882.80	1848.76	1338.07	1278.87	1951.18
Fall Creek	1812.24	1768.86	1305.93	1191.54	1874.01
Middletown T	838.58	804.00	637.15	566.96	804.47
Prairie	1255.52	1245.16	923.39	841.15	1297.38
Stony Creek	1398.00	1300.32	949.74	904.61	1431.49
Spiceland	1806.38	1770.27	1311.67	1209.40	1797.48
Jefferson	2079.65	2002.17	1516.34	1381.41	2122.70
Blue River	1806.10	1745.64	1307.40	1170.91	1812.66
OWEN					
Wayne	1335.43	1257.09	992.94	876.73	1359.73
Montgomery	733.61	699.06	544.52	554.32	754.65
Washington	1062.62	1042.60	805.53	736.09	1102.88
Spencer T	855.84	836.76	629.44	585.44	858.98
Morgan	766.38	740.65	596.21	549.92	788.74

TABLE 7 - Continued

Counties and Local Units	1924	1925	1926	1927	1928	1929
Jackson	$1211.86	$1003.82	$ 988.73	$ 851.78	$ 829.62	$ 841.98
Clay	600.30	508.99	512.15	431.00	413.72	406.58
Franklin	1613.31	1474.30	1507.97	1312.64	1276.46	1115.28
Jefferson	1145.92	978.40	956.02	799.28	782.29	773.37
Marion	1259.78	1084.28	1167.66	1058.25	1057.68	1031.16
Lafayette	1294.20	1057.64	1056.93	905.80	889.37	895.89
Jennings	1259.69	1580.02	1188.02	1039.18	1044.54	1024.41
Taylor	1335.46	1253.81	1263.92	1157.00	1165.66	1166.38
Harrison	2392.21	2126.88	2128.21	1930.10	1882.89	1882.01
CRAWFORD						
Jennings	473.11	436.13	420.22	400.87	389.72	382.08
Whiskey Run	613.24	548.81	538.08	504.71	505.60	512.48
Milltown T	523.39	522.50	500.81	543.07	503.12	492.40
Liberty	700.89	678.80	685.51	665.71	650.54	657.06
Marengo T	484.89	493.05	501.84	501.30	465.42	474.40
Sterling	625.59	572.05	573.97	536.36	558.54	553.28
Patoka	714.68	665.64	668.58	640.94	640.96	639.47
English T	678.57	704.42	727.86	788.54	740.71	738.23
Johnson	554.88	475.25	476.66	452.57	435.11	431.61
Union	356.32	293.88	298.20	286.58	304.29	286.15
Ohio	486.13	445.01	449.61	412.23	426.34	417.99
Boone	389.76	307.66	304.83	296.39	309.75	302.89
Average	2344.97	2128.89	2120.12	1916.18	1814.38	1804.30

TABLE 7 - Continued

Counties and Local Units	1930	1931	1932	1933	Average
Jackson	$ 878.09	$1187.09	$1033.54	$ 976.72	$ 980.32
Clay	396.93	375.49	300.17	287.90	423.32
Franklin	1103.82	1056.93	834.14	758.30	1205.32
Jefferson	775.51	745.53	601.57	553.33	811.12
Marion	973.43	886.82	696.87	625.46	984.14
Lafayette	866.52	837.18	700.57	678.74	918.28
Jennings	1028.59	1013.56	823.63	770.31	1077.20
Taylor	1149.81	1079.09	860.78	778.91	1121.08
Harrison	1870.04	1750.41	1320.32	1221.61	1850.47
CRAWFORD					
Jennings	367.67	359.97	272.38	261.45	376.36
Whiskey Run	494.05	488.69	398.92	373.92	497.85
Milltown T	488.06	468.81	381.55	327.83	475.15
Liberty	651.19	634.52	525.50	475.48	632.52
Marengo T	474.72	461.84	386.46	356.41	460.03
Sterling	547.68	520.56	421.52	392.27	530.18
Patoka	623.84	608.96	476.72	442.12	612.19
English T	704.75	652.24	543.22	485.84	676.44
Johnson	423.06	412.64	319.24	299.95	428.10
Union	272.72	268.10	224.20	211.92	280.24
Ohio	402.02	388.53	312.26	296.67	403.68
Boone	289.33	280.47	218.98	214.32	291.44
Average	1790.91	1748.06	1320.37	1230.08	1821.83

times the standard deviation includes all cases above and below the mean except Grant Township of Benton County. Grant Township enrolls 58.2 per cent of the total population in its schools, while in Union Township only 21.8 per cent of the total population is enrolled.

The average per capita wealth of the sixty-four units ranged from $2,344.97, in 1924, to $1230.08 in 1933. Grant Township, with a per capita wealth of $8393.55 in 1924, had fallen to $4,161.95 in 1933. The actual per capita loss is $4231.60, or 50.4 per cent of the 1924 per capita wealth. Union Township in 1924 had a per capita wealth of $356.32, which had fallen to $211.92 by 1933. This is an actual loss of $144.40 per capita or 40.5 per cent of the 1924 per capita wealth.

The data in Table 8 are obtained by computing the ratio of the assessed valuation to the population, using the county as the unit for purposes of computation. This ratio, the same as the ratio in the preceding table, is termed the per capita wealth. The range in variation is materially reduced as the size of the unit is increased. The per capita wealth for Benton County, the richest of the ninety-two counties, for the year 1924 was $4667.72, while the per capita wealth for Crawford, the poorest county of the group, was $554.83. The variation in the range of the two tables for the year 1924 is quite marked. The range in per capita wealth in the table for local units for the year 1924 is $8,037.28 as compared to $4,112.89 in the table in which the county is made the unit for purposes of computation; however, the range in the ten year average column for local units is $5,945.20, as compared to $3,002.96 when the county is taken as the unit. The per capita wealth of Benton County is 8.41 times the per capita wealth of Crawford County for the year 1924. The last column of the table gives the average per capita wealth of the counties for the ten year period used in making the table. The ten year average per capita wealth of Benton County was $3,475.70, while the ten year average for Crawford County was $472.74, or, throughout the ten year period, the average per capita wealth of the former has been 7.35 times that of the latter. Assuming that Benton County has maintained a government of reasonable efficiency at a minimum expense during the past ten years, Crawford County would find it necessary, in order to maintain government of equal expense and efficiency, to establish a rate of taxation 7.35 times the rate established by Benton County.

The mean per capita wealth of the ten year county averages is $1484.33. The standard deviation is $558.37. The most extreme cases in this array, the same as for the local units, are above the mean. Three times the standard deviation, when added to and deducted from the mean, include all the cases except Benton County. The mean of the ten year averages of the local units is $1821.83, with a standard deviation of $1402.88, as compared to $1484.33 with a standard deviation of $558.37 for the county averages.

The measure of relative variation most commonly employed is that developed by Pearson and termed the coefficient of variation.[1] The coefficient of variation is the ratio of the standard deviation to the mean. The ratio is then expressed as a percentage. The coefficient of variation for the local units is 77 per cent as compared to 38 per cent for the counties. It is evident that should the counties be accepted as the unit for purposes of taxation, the variation in per capita wealth would be materially reduced.

The average per capita wealth of the state was $1751.50 in 1924. The average per capita wealth had shrunk to $1039.32 in 1933. The average per capita loss during this period is $712.18.

Loss in Per Capita Wealth from 1924 to 1933

The average per capita wealth for the period from 1924 to 1933 of both the counties and the local units varies remarkably as shown in Table 9. The per cent of loss in both the counties and local units for this ten year period is tabulated in the same row as the unit and the average per capita wealth. The letters following the local units indicate the county in which the local unit is located; these letters are used where there are two local units of the same name. During the period of economic adjustment the rural units of both the local and county units sustained a greater loss in per capita wealth than the urban units sustained. New Castle and Columbia City are the two urban areas in the local units. New Castle lost 27.7 per cent and Columbia City 22.4 per cent of the per capita wealth during this ten year period. Only one of the remaining sixty-two units had a per capita loss as low as the two

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[1]Karl J. Holzinger, Statistical Methods for Students in Education, p. 116. Boston: Ginn and Company, 1928.

TABLE 8

PER CAPITA WEALTH, AS SHOWN BY ASSESSED VALUATION, FOR THE COUNTIES OF THE STATE OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	1924	1925	1926	1927	1928
Adams	$2028.65	$1946.27	$1937.05	$1799.01	$1679.12
Allen	1902.90	2036.67	2100.00	2119.86	2014.84
Bartholomew	1677.85	1600.19	1608.42	1512.30	1458.98
Benton	4667.72	4131.51	4100.04	3647.48	3415.60
Blackford	1955.23	1838.06	1827.92	1707.02	1709.58
Boone	2560.69	2333.63	2351.04	2182.48	2014.68
Brown	648.72	583.06	569.62	525.31	516.80
Carroll	2883.17	2806.88	2819.98	2580.78	2379.50
Cass	2052.01	1837.56	1818.55	1713.56	1649.37
Clark	948.21	974.06	989.88	973.36	1072.34
Clay	1097.25	1046.29	1045.78	1000.79	968.11
Clinton	2431.12	2362.80	2320.60	2174.22	2006.41
Crawford	554.83	514.51	514.08	500.74	494.65
Daviess	1158.80	1140.23	1248.98	1083.07	1044.25
Dearborn	1015.50	1033.83	1008.94	993.73	1013.82
Decatur	2062.95	1866.63	1869.01	1806.78	1721.15
Dekalb	1881.39	1888.89	1886.46	1789.60	1720.06
Delaware	1602.70	1519.21	1476.12	1471.84	1487.61
Dubois	825.33	824.78	823.90	787.13	755.40
Elkhart	1564.32	1541.29	1577.29	1566.33	1555.21
Fayette	1572.19	1603.37	1585.52	1533.98	1479.70
Floyd	726.90	758.17	794.22	808.68	882.63
Fountain	2016.49	1634.09	1654.77	1544.23	1372.00
Franklin	1347.33	1327.41	1338.62	1248.60	1203.80
Fulton	2477.89	2209.05	2166.20	2061.18	1919.79
Gibson	1483.48	1436.25	1452.78	1363.65	1277.03
Grant	1610.75	1571.06	1546.67	1458.14	1372.98
Greene	1145.28	1029.40	1012.41	947.06	907.60
Hamilton	2044.04	2012.06	1971.28	1804.09	1714.91
Hancock	2691.20	2485.65	2882.39	2303.06	2204.09
Harrison	627.09	616.40	604.55	583.65	580.61
Hendricks	2317.29	2209.40	2216.15	2064.34	1980.11
Henry	1775.08	1685.03	1722.05	1628.80	1596.08
Howard	1718.02	1563.72	1570.67	1504.00	1382.98
Huntington	2107.32	1988.92	1979.33	1868.11	1766.23
Jackson	1336.56	1318.85	1326.05	1246.63	1251.30
Jasper	2787.99	2447.41	2442.43	2225.50	2070.90
Jay	1966.44	1808.46	1802.57	1628.57	1518.19
Jefferson	880.24	870.97	869.40	823.14	786.45
Jennings	1239.95	1136.93	1124.83	1078.34	1015.50
Johnson	1902.93	1887.59	1881.86	1804.05	1699.70
Knox	1507.27	1509.77	1509.95	1436.97	1315.70
Kosciusko	2205.16	2271.32	2247.29	2114.20	2066.98
Lagrange	2179.05	2135.11	2194.21	2064.40	2093.10
Lake	1388.90	1448.89	1492.86	1558.71	1671.56
LaPorte	1592.20	1604.56	1614.10	1595.17	1691.99
Lawrence	773.82	900.76	918.94	929.22	956.72
Madison	1180.09	1127.22	1133.72	1095.38	1126.14

TABLE 8

PER CAPITA WEALTH, AS SHOWN BY ASSESSED VALUATION, FOR THE COUNTIES OF THE STATE OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	1929	1930	1931	1932	1933	Average
Adams	$1666.02	$1678.26	$1639.91	$1214.10	$1101.17	$1668.96
Allen	2070.76	2078.12	2024.82	1483.35	1347.83	1917.92
Bartholomew	1434.04	1421.15	1380.98	1172.89	1078.57	1434.54
Benton	3398.10	3372.80	3318.63	2410.83	2294.28	3475.70
Blackford	1707.73	1687.81	1628.61	1285.15	1176.31	1652.34
Boone	1988.64	1979.71	1922.79	1360.02	1246.37	1994.01
Brown	514.33	508.56	497.14	428.76	388.52	518.08
Carroll	2366.69	2361.46	2328.01	1784.40	1635.23	2394.61
Cass	1635.84	1626.41	1587.71	1282.93	1185.99	1638.99
Clark	1005.60	1007.76	981.01	822.33	785.80	956.04
Clay	972.63	959.45	948.16	743.99	677.78	946.02
Clinton	2003.43	1973.95	1912.65	1448.13	1353.70	1998.70
Crawford	490.72	478.11	462.56	372.27	344.96	472.74
Daviess	1042.47	1035.26	1008.15	726.77	671.31	1015.93
Dearborn	1006.28	1023.46	1012.55	823.34	744.88	967.63
Decatur	1715.67	1706.85	1638.86	1271.21	1152.77	1681.19
Dekalb	1687.46	1694.62	1645.06	1278.70	1135.68	1660.79
Delaware	1526.57	1511.09	1479.61	1065.46	933.67	1407.39
Dubois	754.31	752.95	716.96	580.85	527.83	734.94
Elkhart	1563.88	1557.57	1527.14	1291.25	1163.50	1490.78
Fayette	1534.11	1536.39	1499.46	1237.41	1131.09	1471.32
Floyd	885.16	889.65	863.38	685.53	616.29	791.06
Fountain	1372.20	1375.28	1332.46	937.73	861.46	1410.07
Franklin	1191.93	1179.55	1130.38	941.78	846.64	1175.60
Fulton	1931.01	1948.36	1893.48	1433.87	1308.34	1934.92
Gibson	1291.79	1231.25	1201.91	917.41	813.08	1246.86
Grant	1386.07	1354.63	1320.27	900.43	810.87	1333.19
Greene	870.67	842.00	811.67	612.45	562.15	874.07
Hamilton	1672.12	1655.74	1602.18	1246.74	1175.16	1689.83
Hancock	2212.70	2161.54	2115.71	1615.82	1478.85	2215.10
Harrison	590.02	577.09	550.22	435.38	404.02	556.90
Hendricks	2000.34	1956.69	1919.76	1435.38	1267.24	1936.67
Henry	1604.61	1575.99	1541.43	1200.81	1103.41	1543.33
Howard	1385.48	1382.67	1335.81	1031.32	966.16	1384.08
Huntington	1754.57	1762.04	1730.21	1289.38	1179.09	1742.52
Jackson	1222.89	1236.02	1206.81	940.25	850.33	1193.57
Jasper	2074.54	2071.55	2022.17	1528.91	1438.96	2111.04
Jay	1503.50	1468.13	1461.41	1126.17	1017.33	1530.08
Jefferson	778.29	775.50	764.75	631.22	564.59	774.46
Jennings	1008.97	1024.16	978.52	753.18	685.91	1004.63
Johnson	1668.46	1646.71	1610.54	1231.93	1127.97	1646.17
Knox	1370.82	1342.79	1313.60	940.09	854.81	1310.18
Kosciusko	2075.71	2051.85	1986.62	1547.76	1413.84	1998.07
Lagrange	2095.23	2038.86	2020.35	1572.31	1408.51	1980.11
Lake	1716.08	1757.52	1831.39	1392.26	1352.92	1561.11
LaPorte	1708.91	1713.50	1757.25	1558.82	1450.18	1628.67
Lawrence	1001.12	1010.63	978.20	805.02	769.69	904.41
Madison	1146.15	1171.48	1128.04	906.25	825.58	1084.01

TABLE 8 - Continued

Counties	1924	1925	1926	1927	1928
Marion	$1730.13	$1754.66	$1760.86	$1818.22	$1844.37
Marshall	2087.11	1997.96	2009.65	1922.81	1832.22
Martin	703.16	637.66	649.58	623.56	567.50
Miami	1830.75	1693.24	1679.83	1586.35	1554.94
Monroe	798.48	909.42	940.95	967.90	1032.71
Montgomery	2436.54	2202.15	2190.95	2004.25	1866.00
Morgan	1276.98	1223.83	1224.91	1140.48	1145.58
Newton	3379.91	2913.00	2895.29	2687.79	2621.83
Noble	2238.60	2231.06	2217.60	2120.54	2051.73
Ohio	965.20	1001.14	967.24	911.51	901.97
Orange	892.69	888.98	876.97	867.55	824.91
Owen	1239.76	1154.04	1150.55	1039.71	1034.28
Parke	1606.38	1497.96	1485.63	1334.62	1225.28
Perry	605.63	613.19	614.90	618.67	616.21
Pike	1081.62	983.48	986.47	930.23	875.75
Porter	2590.01	2624.67	2663.25	2638.15	2711.91
Posey	1714.66	1629.81	1615.67	1480.75	1371.44
Pulaski	2380.74	2326.56	2320.93	2139.22	2002.44
Putnam	1855.18	1783.26	1785.73	1676.98	1531.13
Randolph	2352.67	2134.50	2143.73	2000.55	1902.77
Ripley	1109.03	1084.17	1081.09	1024.47	978.81
Rush	2716.03	2610.16	2614.97	2400.59	2280.23
St. Joseph	1515.28	1620.31	1690.66	1763.51	1804.82
Scott	1232.04	1128.10	1131.11	1053.17	961.29
Shelby	2218.01	2095.97	2103.78	2005.71	1949.95
Spencer	1044.56	955.28	938.32	877.14	802.76
Starke	2259.38	2209.93	2178.72	2054.64	2020.73
Steuben	1877.84	1862.23	1897.86	1826.99	1850.59
Sullivan	1417.92	1260.00	1273.52	1159.27	1073.63
Switzerland	804.06	787.24	791.84	728.38	738.97
Tippecanoe	2034.84	1944.74	1937.17	1854.09	1798.72
Tipton	2563.32	2289.97	2274.11	2053.48	1948.89
Union	2630.02	2595.95	2601.56	2393.43	2316.82
Vanderburgh	1310.37	1340.60	1357.34	1379.90	1431.98
Vermillion	1868.15	1525.31	1525.31	1453.28	1393.37
Vigo	1420.29	1435.43	1430.49	1400.12	1314.75
Wabash	2173.36	2037.20	2017.43	1913.53	1800.27
Warren	3842.74	3266.50	3246.09	2869.44	2509.57
Warrick	990.86	998.73	972.81	995.20	861.29
Washington	1066.01	1012.06	1019.25	965.77	963.93
Wayne	1487.85	1473.85	1479.59	1455.12	1463.67
Wells	2272.74	2135.62	2108.31	1917.10	1767.27
White	3064.55	2847.17	2823.10	2477.18	2391.82
Whitley	2332.23	2231.05	2222.55	2034.26	1926.53
Co. Average	1751.50	1667.09	1672.25	1574.16	1515.74

TABLE 8 - Continued

Counties	1929	1930	1931	1932	1933	Average
Marion	$1882.42	$1886.94	$1845.59	$1576.51	$1415.35	$1751.51
Marshall	1825.89	1804.51	1761.94	1381.67	1248.32	1787.21
Martin	570.66	594.45	573.82	456.99	411.38	578.88
Miami	1547.14	1542.37	1507.64	1203.95	1121.91	1526.81
Monroe	1061.98	1065.65	1042.32	865.05	792.15	947.66
Montgomery	1858.82	1829.93	1769.00	1270.09	1127.18	1855.49
Morgan	1114.50	1113.61	1042.98	789.66	725.39	1079.79
Newton	2615.06	2617.86	2527.99	1922.52	1779.42	2596.07
Noble	2029.26	2010.27	1929.65	1502.62	1330.05	1966.14
Ohio	904.10	882.71	866.49	676.91	638.22	871.55
Orange	830.16	825.76	778.46	598.20	561.25	794.49
Owen	989.92	965.28	934.96	738.02	679.21	992.57
Parke	1213.07	1192.48	1164.47	875.08	795.85	1239.08
Perry	599.31	595.35	588.16	455.45	420.89	572.78
Pike	882.85	860.19	824.54	630.01	570.76	862.59
Porter	2715.73	2743.43	2718.49	2250.14	1967.24	2562.30
Posey	1355.02	1322.89	1279.89	918.39	852.76	1354.13
Pulaski	2003.46	1997.22	1958.01	1528.55	1414.68	2007.18
Putnam	1583.81	1545.77	1522.50	1151.13	1044.47	1548.00
Randolph	1890.75	1866.58	1787.44	1395.15	1285.83	1876.00
Ripley	985.28	990.75	980.08	780.18	705.44	971.93
Rush	2285.31	2239.27	2175.37	1594.74	1494.20	2241.09
St. Joseph	1843.47	1869.49	1818.32	1440.81	1296.49	1666.32
Scott	927.00	914.80	876.45	717.03	652.40	959.34
Shelby	1969.42	1921.19	1858.78	1393.95	1278.13	1879.49
Spencer	793.67	785.64	764.23	564.53	534.18	806.03
Starke	2012.76	2029.96	1978.53	1626.04	1451.04	1982.17
Steuben	1870.23	1846.30	1837.60	1315.97	1213.25	1739.89
Sullivan	1026.82	995.28	970.53	705.86	663.31	1054.61
Switzerland	744.04	730.38	726.56	578.40	543.30	717.32
Tippecanoe	1828.49	1831.46	1790.66	1499.70	1390.65	1791.05
Tipton	1947.53	1935.97	1885.50	1354.92	1250.57	1950.43
Union	2288.45	2275.70	2225.81	1891.62	1715.00	2293.44
Vanderburgh	1442.69	1460.73	1453.67	1249.22	1178.55	1360.51
Vermillion	1420.83	1300.33	1249.09	859.10	777.31	1337.21
Vigo	1329.40	1311.20	1313.19	1007.46	911.54	1287.39
Wabash	1801.13	1792.25	1723.35	1287.74	1167.56	1771.38
Warren	2506.92	2482.95	2420.74	1754.96	1630.31	2653.02
Warrick	869.65	847.56	836.94	623.18	587.71	858.39
Washington	972.40	946.39	891.24	671.37	610.97	911.94
Wayne	1480.24	1477.14	1446.09	1193.29	1105.95	1406.28
Wells	1743.32	1735.56	1709.34	1279.35	1178.13	1784.67
White	2384.40	2367.60	2318.23	1647.08	1547.69	2386.88
Whitley	1908.55	1903.95	1855.24	1440.11	1320.89	1917.54
Co. Average	1515.88	1504.44	1468.47	1134.40	1039.32	1484.33

TABLE 9

COUNTIES AND LOCAL UNITS RANKED ON BASIS OF 1924 - 1933 AVERAGE PER CAPITA WEALTH, AND THE PERCENTAGE OF LOSS IN WEALTH DURING THE TEN YEAR PERIOD

Counties	Average Per Capita Wealth for Ten Year Period	Percentage Loss in Per Capita Wealth	Local Unit	Average Per Capita Wealth for Ten Year Period	Percentage Loss in Per Capita Wealth
Benton	$3475.70	50.8	Grant	$6225.44	50.4
Warren	2653.02	57.6	York	6161.83	49.9
Newton	2596.07	47.4	Pine	4983.39	56.0
Porter	2562.30	28.3	Parish Grove	4730.10	54.2
Carroll	2394.61	43.3	Union[a]	4520.69	53.6
White	2386.88	49.5	Richland[a]	3622.59	49.0
Union	2293.44	34.8	Hickory Grove	3240.74	51.9
Rush	2241.09	45.0	Columbia	3183.22	40.2
Hancock	2215.10	45.0	Oak Grove	2941.49	51.4
Jasper	2111.04	48.4	Bolivar	2977.81	50.0
Pulaski	2007.18	40.6	Union[b]	2925.59	46.8
Clinton	1998.70	44.3	Franklin[c]	2824.03	46.2
Kosciusko	1998.07	37.8	Wayne[c]	2796.42	46.7
Boone	1994.01	51.3	Dudley	2771.17	39.7
Starke	1982.17	35.8	Liberty[c]	2756.09	46.3
Lagrange	1980.11	35.4	Center	2720.34	46.0
Noble	1966.14	40.6	Richland[b]	2591.65	49.4
Tipton	1950.43	51.2	Washington[b]	2555.72	49.1
Hendricks	1936.67	45.3	Jefferson[b]	2433.95	47.8
Fulton	1934.92	47.2	Jefferson[c]	2122.70	49.7
Allen	1917.92	36.4	Cleveland	2047.16	47.0
Whitley	1917.54	43.4	Gilboa	2010.19	52.7
Shelby	1879.49	42.4	Harrison[c]	1951.18	50.3
Randolph	1876.00	45.3	Fall Creek	1874.01	53.3
Montgomery	1855.49	53.7	Harrison[d]	1850.47	48.9
Tippecanoe	1791.05	31.7	Blue River	1812.66	49.4
Marshall	1787.21	40.2	Spiceland	1797.48	44.2
Wells	1784.67	48.2	Henry	1778.94	34.3
Wabash	1771.38	46.3	Thorncreek	1675.31	42.9
Marion	1751.51	25.0	Etna	1600.66	49.5
Huntington	1742.52	44.0	Greensboro	1599.55	50.2
Steuben	1739.89	35.4	Troy	1498.51	47.8
Hamilton	1689.83	42.5	Stony Creek	1431.49	55.8
Decatur	1681.19	44.1	Wayne[d]	1359.73	46.0
Adams	1668.96	45.7	Smith	1347.94	43.6
St. Joseph	1666.32	30.7	Prairie	1297.38	49.0
Dekalb	1660.79	39.9	Franklin[d]	1205.32	53.0
Blackford	1652.34	39.8	Newcastle	1131.07	27.7
Johnson	1646.17	40.7	Taylor	1121.08	41.7
Cass	1638.99	42.2	Washington[d]	1102.88	48.6
LaPorte	1628.67	17.5	Jennings[d]	1077.20	51.2
Lake	1561.11	26.1	Columbia City	1073.71	22.4
Putnam	1548.00	43.7	Marion	984.14	50.4
Henry	1543.33	37.8	Jackson	980.32	19.4
Jay	1530.08	48.3	Lafayette	918.28	47.6

TABLE 9 - Continued

Counties	Average Per Capita Wealth for Ten Year Period	Percentage Loss in Per Capita Wealth	Local Unit	Average Per Capita Wealth for Ten Year Period	Percentage Loss in Per Capita Wealth
Miami	$1526.81	38.7	Knightstown	$ 882.63	37.0
Elkhart	1490.78	26.2	Spencer	858.98	41.0
Fayette	1471.32	29.5	Jefferson[d]	811.12	51.7
Bartholomew	1434.54	35.7	Middletown	804.47	35.9
Fountain	1410.07	57.3	Morgan	788.74	46.4
Delaware	1407.39	41.7	Montgomery	754.65	43.6
Wayne	1406.28	25.7	English	676.44	38.4
Howard	1384.08	43.8	Liberty[e]	632.52	32.2
Vanderburgh	1360.51	19.3	Patoka	612.19	38.1
Posey	1354.13	50.3	Sterling	530.18	37.3
Vermillion	1337.21	58.4	Whiskey Run	497.85	39.0
Grant	1333.19	49.7	Milltown	475.15	39.6
Knox	1310.18	43.4	Marengo	460.03	29.0
Vigo	1287.39	36.5	Johnson	428.10	45.9
Gibson	1246.86	45.2	Clay	423.32	52.0
Parke	1239.08	50.5	Ohio	403.68	39.0
Jackson	1193.57	36.4	Jennings[e]	376.36	44.7
Franklin	1175.60	37.2	Boone	291.44	45.0
Madison	1084.01	30.0	Union[e]	280.24	40.5
Morgan	1079.79	43.2			
Sullivan	1054.61	53.2			
Daviess	1015.93	46.3			
Jennings	1004.63	44.7			
Owen	992.57	45.2			
Ripley	971.93	36.4			
Dearborn	967.63	26.6			
Scott	959.34	47.0			
Clark	956.04	26.7			
Monroe	947.66	25.7			
Clay	946.02	38.2			
Washington	911.94	42.7			
Lawrence	904.41	23.8			
Greene	874.07	50.9			
Ohio	871.55	36.3			
Pike	862.59	47.2			
Warrick	858.39	41.2			
Spencer	806.03	48.9			
Orange	794.49	37.1			
Floyd	791.06	30.4			
Jefferson	774.46	35.9			
Dubois	734.94	36.0			
Switzerland	717.32	32.4			
Martin	578.88	41.5			
Perry	572.78	32.0			
Harrison	556.90	35.6			
Brown	518.08	40.1			
Crawford	472.74	37.8			

[a]Benton County. [b]Whitley County. [c]Henry County.

[d]Owen County. [e]Crawford County.

towns. In that portion of the table showing the per capita loss by counties, Marion, Allen, St. Joseph, Lake and Vanderburgh counties are largely urban. The percentages representing the loss in per capita wealth in these counties are as follows: Marion, 25.0 per cent; Allen, 36.4 per cent; St. Joseph, 30.7 per cent; Lake, 26.1 per cent; Vanderburgh, 19.3 per cent. Fifty-two of the ninety-two counties have losses of forty per cent or above. The five great urban areas are in the lower half of the counties when ranked as to per capita loss. Another phase of the data presented in this table deserves consideration. The counties and local units are ranked in order of wealth. The largest percentage loss in per capita wealth is found among the wealthiest units. The period of economic adjustment has caused greater loss among wealthy units than among the poor. The correlation was found to be .237± .067.

The property tax, as explained earlier, supplied practically all revenue for purposes of government in Indiana previous to the introduction of the tax revision program by the 1933 legislative assembly. The column headed 'Taxes Gathered' in the tables found in the appendix are property taxes. These 'Taxes Gathered' columns are used as the numerators and the population of the units as the denominators of the ratios that compose the following tables.

Per Capita Tax in Local Units of Government

The ratio of taxes gathered to population shows the amount of taxes per person collected in the unit under consideration. This ratio is usually called the per capita tax for any particular unit. The per capita tax measures for both the sixty-four local units and the ninety-two Indiana counties are presented in Tables 10 and 11. Grant Township, Benton County, has the highest per capita tax, ranging from $132.37 in 1928 to $75.29 in 1933, with a ten year average of $110.40. Union Township, Crawford County, has the lowest per capita tax, ranging from $13.51 in 1929 to $8.14 in 1933, with a ten year average of $11.18. The inhabitants of Grant Township, throughout the ten year period, have paid 9.87 times the taxes paid by Union Township. This is interesting when compared to the per capita wealth of the two units. Grant Township, with a per capita wealth 22.21 times as great as Union Township, pays taxes only 9.87 times as great. The average per capita tax of the local

TABLE 10

PER CAPITA TAX FOR THE LOCAL UNITS OF FIVE INDIANA COUNTIES, RANGING FROM WEALTHIEST TO POOREST, 1924 TO 1933, INCLUSIVE

Counties and Local Units	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
BENTON											
Parish Grove	$ 80.53	$ 82.97	$ 73.28	$ 77.23	$ 82.15	$ 91.97	$ 88.48	$ 78.43	$55.43	$57.48	$ 76.80
Pine	98.29	89.12	90.64	92.39	82.54	102.62	93.33	84.23	58.78	53.19	84.51
Oak Grove	57.46	51.65	48.21	48.20	48.39	67.89	64.05	58.93	39.58	35.57	51.99
Gilboa	32.40	34.41	35.84	35.47	40.41	41.64	40.60	37.17	22.86	20.55	34.14
York	102.85	100.69	96.72	93.43	88.28	92.54	84.31	91.30	66.24	49.21	86.56
Center	46.25	41.94	44.39	61.88	57.51	57.28	51.81	48.61	30.92	32.26	47.29
Bolivar	62.45	66.05	69.03	87.10	73.87	63.69	52.76	59.11	40.57	38.47	61.31
Union	72.91	72.02	76.48	73.84	70.89	84.65	75.08	79.10	47.38	51.51	70.39
Richland	64.45	60.10	62.14	71.98	57.49	72.39	66.13	57.81	34.29	31.66	57.84
Grant	116.91	103.33	104.11	132.37	124.93	129.66	119.07	119.17	79.20	75.29	110.40
Hickory Grove	46.48	47.61	51.23	47.32	56.61	64.92	68.03	59.33	34.42	28.96	50.49
WHITLEY											
Cleveland	51.21	49.06	47.21	46.52	44.61	46.11	38.51	46.68	27.68	30.51	42.81
Richland	78.87	75.95	64.33	68.45	76.50	85.59	78.19	65.44	46.88	36.93	67.71
Troy	52.22	52.72	55.22	46.50	47.52	47.27	44.60	45.91	31.59	25.60	44.92
Etna	51.02	56.97	55.30	55.37	52.11	52.93	47.36	39.18	22.62	21.70	45.46
Washington	57.16	68.13	55.87	62.04	63.15	63.04	59.90	57.60	27.83	25.07	53.98
Columbia C. T	35.04	38.24	42.67	43.58	43.11	42.37	40.97	40.28	20.63	24.85	37.17
Columbia	53.23	57.79	56.14	58.08	60.77	57.07	52.31	50.69	29.44	28.95	50.45
Thorncreek	47.87	46.50	42.67	49.11	45.67	48.36	48.59	48.11	33.21	28.65	43.87
Jefferson	57.77	56.19	42.75	56.14	50.94	54.78	50.56	42.71	23.39	24.97	46.02
Union	69.45	66.15	66.34	92.75	80.41	78.36	71.42	69.87	47.62	43.22	68.56
Smith	43.54	42.54	42.28	50.13	46.20	44.63	43.98	40.29	22.19	24.14	39.99
HENRY											
Wayne	45.85	38.02	35.26	38.52	20.08	48.66	45.60	43.65	26.10	26.49	36.82
Knightstown T	23.16	27.49	27.94	27.81	28.03	29.97	28.86	29.08	20.17	17.01	25.95
Franklin	50.60	45.69	44.14	47.13	48.63	50.92	46.50	44.70	35.28	34.75	44.83

TABLE 10 - Continued

Counties and Local Units	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Dudley	$ 51.15	$ 47.71	$ 49.15	$ 52.23	$ 66.84	$ 66.91	$ 56.36	$ 57.99	$42.70	$33.67	$ 52.47
Liberty	47.51	44.36	43.74	44.19	50.07	52.56	48.71	40.84	25.51	24.35	42.18
Henry	27.61	26.70	27.14	31.48	33.09	36.80	35.12	34.12	24.15	23.05	29.93
Newcastle T	28.33	28.31	29.32	30.76	32.70	35.97	34.67	33.72	25.25	20.28	29.93
Greensboro	37.55	35.59	41.51	42.20	46.18	47.41	44.38	39.85	28.43	22.59	38.57
Harrison	46.08	47.62	42.38	40.05	39.11	43.57	41.97	41.10	25.12	22.86	38.99
Fall Creek	46.28	40.59	37.55	40.52	39.80	45.60	44.03	42.33	24.08	25.58	38.64
Middletown T	20.65	21.69	23.36	23.93	24.41	27.27	25.13	25.00	13.66	13.29	21.84
Prairie	28.19	27.15	28.43	31.22	31.60	34.10	32.78	31.90	19.25	18.68	28.33
Stony Creek	42.92	42.65	42.94	43.75	49.50	40.40	28.88	37.01	30.60	26.51	38.52
Spiceland	36.70	38.85	37.55	40.89	45.23	46.16	42.94	40.45	24.98	21.87	37.56
Jefferson	40.92	42.37	40.36	44.82	43.18	45.85	43.02	39.03	25.66	29.30	39.45
Blue River	43.32	40.51	38.22	43.35	43.68	46.61	44.23	37.77	24.42	25.30	38.74
OWEN											
Wayne	38.89	43.38	42.07	51.51	49.57	43.62	40.10	39.60	31.27	32.40	41.24
Montgomery	32.26	33.38	29.53	28.10	28.47	27.88	27.30	25.50	13.97	16.34	26.27
Washington	38.12	39.42	38.04	37.62	39.14	36.15	34.98	34.52	28.82	29.11	35.59
Spencer T	37.30	41.81	38.14	39.14	38.66	39.47	34.70	33.96	27.76	25.64	35.66
Morgan	32.29	33.69	30.28	28.98	31.93	31.76	29.51	25.85	18.87	17.75	28.09
Jackson	42.87	39.05	33.94	32.03	31.54	30.64	31.49	35.47	26.15	27.94	33.11
Clay	20.95	18.94	17.44	18.12	17.01	19.50	17.24	13.58	9.48	10.19	16.25
Franklin	49.43	46.28	43.82	41.37	42.21	35.86	33.31	29.27	24.60	23.62	36.98
Jefferson	44.22	39.10	34.82	30.62	31.37	28.50	28.77	24.47	15.97	16.32	29.42
Marion	45.77	43.57	43.86	39.22	40.01	39.88	37.13	33.47	22.13	21.85	36.69
Lafayette	40.43	33.73	31.90	28.97	31.94	32.04	27.54	25.73	18.36	19.69	29.03
Jennings	40.45	62.97	38.64	41.89	39.41	37.81	36.47	29.88	25.81	26.82	38.02
Taylor	42.12	44.45	41.37	42.57	41.56	44.36	39.59	33.12	25.37	26.94	38.15
Harrison	61.14	61.06	55.54	54.84	51.07	56.89	45.27	41.22	33.32	36.34	49.67
CRAWFORD											
Jennings	17.55	17.62	16.21	17.78	16.25	16.64	15.65	15.41	10.49	9.07	15.27

TABLE 10 - Continued

Counties and Local Units	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Whiskey Run	$ 18.49	$ 21.86	$ 20.57	$ 20.27	$ 21.51	$ 22.35	$ 21.12	$ 19.83	$14.70	$12.59	$ 19.33
Milltown T	21.74	25.66	23.51	24.81	23.69	24.92	23.68	21.48	15.55	14.68	21.97
Liberty	18.59	24.15	23.22	21.84	21.90	24.80	23.38	23.17	16.57	12.72	21.03
Marengo T	22.66	22.13	23.49	21.55	19.52	20.95	19.52	19.53	14.80	13.11	19.73
Sterling	18.95	21.04	20.56	20.16	20.23	24.28	22.05	20.05	14.77	11.38	19.35
Fatoka	21.95	22.59	21.61	23.50	24.09	26.24	24.99	22.75	16.59	13.22	21.75
English T	31.08	34.84	35.16	38.37	35.43	40.59	34.44	30.51	24.92	21.86	32.72
Johnson	14.81	15.25	14.95	17.97	17.51	18.80	16.80	17.18	12.55	10.60	15.64
Union	9.92	12.39	11.53	11.69	12.55	13.51	11.83	11.05	9.23	8.14	11.18
Ohio	16.09	17.31	17.09	16.62	19.17	20.16	19.33	16.63	12.06	10.83	16.53
Boone	14.09	13.84	13.47	13.46	13.65	14.25	13.17	11.62	8.39	7.36	12.33

units throughout the ten year period was $39.94. The standard deviation is $18.79. Three times the standard deviation when added to and deducted from the mean includes all the cases in the distribution.

The per capita tax by counties for the State of Indiana for the years 1924 to 1933, inclusive, is presented in Table 11. During this period, Porter County has consistently maintained the highest per capita tax among the counties. The Porter County tax has ranged from $72.40 in 1930 to $51.57 in 1933. The lowest per capita tax has been collected by Crawford County. The average per capita tax collections in Crawford County have ranged from $22.09 in 1929 to $11.95 in 1931. The mean of the ten year per capita tax for Crawford County is $18.56 as compared to $63.70, the mean of the ten year per capita tax for Porter County. The range of the ten year averages of all the counties is $45.14. Throughout the ten year period the per capita tax of Porter County has been 3.43 times as great as the per capita tax in Crawford County. During the ten years covered by this investigation, Porter County with a per capita wealth 5.42 times as great as Crawford County, has paid a tax only 3.43 times as great. The mean of the ten year averages of the per capita tax of the counties is $38.25 and the standard deviation is $8.93. Three times the standard deviation when added to and deducted from the mean includes all the cases in the distribution. The coefficient of variation for the county averages is 23.35 per cent as compared to 47.05 per cent for the local units. It is evident that should the county be made the unit for purposes of taxation, not only the variation in per capita wealth but also the variation in per capita tax would be materially reduced.

Variability of Per Capita Tax Collections, 1924 to 1933

The fluctuations in the per capita tax collections for both the counties and the local units, for the period 1924 - 1933, inclusive, is presented in Table 12. The column in the table showing per cent of variability is obtained in the following manner. The minimum per capita tax for the ten year period is deducted from the maximum for the same period. This difference is then divided by the average of the unit for the ten year period. The range divided by

TABLE 11

PER CAPITA TAX, BY COUNTIES, FOR THE STATE OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Adams	$45.73	$45.61	$44.06	$45.33	$44.66	$43.90	$43.11	$35.66	$19.45	$25.48	$39.30
Allen	49.70	41.25	40.74	43.94	45.20	50.08	48.77	47.67	32.07	35.58	43.50
Bartholomew	38.84	34.40	33.08	35.73	35.27	37.23	33.05	29.15	20.51	20.36	31.76
Benton	59.78	59.02	59.61	67.42	64.46	70.45	65.15	62.24	40.42	38.29	58.68
Blackford	37.52	38.77	38.49	38.80	26.81	41.44	38.61	39.95	30.08	30.66	36.11
Boone	40.06	43.36	42.69	50.07	49.18	47.90	43.55	43.18	26.76	27.74	41.45
Brown	18.26	24.31	22.78	21.85	21.15	21.56	22.97	19.52	16.31	16.08	20.48
Carroll	42.59	53.10	52.43	54.79	51.64	52.13	47.55	47.20	32.80	30.23	46.45
Cass	46.91	49.95	47.17	49.39	49.92	52.69	51.49	46.36	29.42	35.78	45.91
Clark	29.55	27.65	27.19	31.14	37.12	33.91	29.03	33.04	17.57	21.57	28.78
Clay	34.49	32.78	32.75	37.08	39.54	40.73	38.43	34.24	23.47	19.17	33.27
Clinton	48.58	50.85	47.18	51.57	52.87	55.16	49.78	42.29	26.47	25.46	45.02
Crawford	17.03	20.51	19.84	20.47	20.26	22.09	20.35	18.98	14.10	11.95	18.56
Daviess	35.22	34.81	32.90	32.96	36.15	37.91	35.08	34.70	10.93	15.51	30.62
Dearborn	31.68	31.81	28.52	28.79	30.87	32.62	32.04	30.06	21.60	20.46	28.85
Decatur	44.50	43.97	43.46	47.84	49.62	49.38	42.81	37.82	27.23	26.46	41.31
Dekalb	37.23	41.03	41.10	41.10	40.67	41.90	40.38	39.27	27.42	28.38	37.85
Delaware	46.57	37.71	33.82	37.19	38.77	42.46	40.61	36.64	29.40	28.31	37.15
Dubois	27.63	26.88	25.90	27.50	26.56	29.39	27.65	26.04	15.45	12.01	24.50
Elkhart	44.07	36.61	36.01	40.90	43.09	36.59	43.44	43.05	33.18	21.34	37.83
Fayette	42.86	39.76	38.17	38.90	38.04	41.29	41.81	38.77	25.62	25.53	37.08
Floyd	27.12	27.76	24.29	27.64	28.47	33.20	30.23	29.22	18.09	23.17	26.92
Fountain	42.17	41.10	42.75	47.87	45.62	45.73	40.47	38.67	17.53	18.01	37.99
Franklin	31.82	33.53	35.89	35.52	39.24	35.48	33.03	30.80	21.56	19.93	31.68
Fulton	55.30	55.85	58.02	62.89	63.16	49.78	52.69	46.31	26.70	24.84	49.55
Gibson	41.08	40.19	42.00	45.53	44.35	48.48	43.04	39.58	19.51	28.08	39.18
Grant	37.25	39.58	36.39	36.24	36.19	39.77	36.35	35.84	22.67	23.26	34.35
Greene	30.74	32.95	32.58	33.14	32.62	33.80	32.63	30.35	9.95	9.40	27.82
Hamilton	41.39	43.12	44.72	49.32	45.37	46.21	42.52	38.50	25.84	34.06	41.11
Hancock	49.47	51.84	50.80	53.19	50.11	50.17	45.24	37.70	26.42	27.03	44.20

TABLE 11 - Continued

Counties	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Harrison	$22.77	$23.30	$22.95	$21.46	$22.89	$24.20	$24.70	$22.50	$17.28	$11.68	$21.37
Hendricks	47.30	48.69	45.48	49.31	51.70	48.89	48.10	43.94	28.79	29.06	44.13
Henry	34.05	32.99	33.27	35.20	36.94	40.10	37.70	36.31	25.22	22.18	33.40
Howard	39.14	37.39	34.93	36.14	34.11	37.44	38.82	38.12	22.57	21.67	34.03
Huntington	45.71	52.62	49.31	51.13	51.10	49.78	49.18	43.96	28.01	29.63	45.04
Jackson	33.78	33.59	31.97	33.86	32.96	32.66	31.01	27.40	19.58	18.51	29.53
Jasper	61.30	58.41	59.45	60.65	62.63	64.57	59.42	52.36	30.56	35.61	54.50
Jay	35.04	37.22	35.25	38.54	39.16	37.67	36.92	35.08	25.78	21.64	34.23
Jefferson	26.22	27.97	28.04	29.01	28.26	29.04	28.46	26.89	19.63	16.06	25.96
Jennings	31.91	33.44	33.65	37.01	35.28	36.60	33.57	30.66	19.62	13.92	30.57
Johnson	43.58	44.60	39.40	42.68	41.84	42.89	41.21	36.30	19.85	21.16	37.35
Knox	40.22	42.53	44.62	49.28	51.66	55.34	47.19	42.35	19.90	24.47	41.76
Kosciusko	52.89	52.38	51.75	53.97	56.04	59.01	55.77	52.53	33.56	32.00	49.99
Lagrange	40.28	39.07	42.96	48.06	49.45	52.00	47.61	45.19	30.76	30.51	42.59
Lake	64.82	42.18	46.65	51.01	54.73	57.20	58.22	61.79	44.46	18.15	49.92
LaPorte	51.84	46.12	45.92	48.11	50.04	52.51	54.19	55.87	46.42	31.76	48.28
Lawrence	38.89	31.08	33.23	32.77	32.77	35.54	37.50	34.98	16.80	23.30	31.69
Madison	35.86	29.40	31.64	32.57	32.90	33.21	37.95	34.71	24.29	26.44	31.90
Marion	52.49	47.59	44.64	46.72	48.26	51.69	50.55	49.42	42.63	42.07	47.61
Marshall	52.72	45.10	46.15	54.78	52.92	56.23	50.03	44.65	30.17	33.85	46.66
Martin	22.63	23.93	23.59	25.22	23.43	23.43	23.86	36.30	14.21	13.27	22.99
Miami	43.98	43.33	43.77	48.83	46.32	47.45	45.13	39.97	18.77	24.36	40.19
Monroe	43.30	30.62	30.32	32.91	34.31	37.40	36.02	35.90	26.66	23.32	33.08
Montgomery	44.02	41.10	41.15	48.70	51.79	49.74	46.27	37.77	26.18	33.11	41.98
Morgan	36.92	37.30	35.91	38.49	41.72	40.17	34.87	31.11	18.01	18.91	33.34
Newton	55.25	61.44	62.00	60.38	61.35	64.64	61.98	53.43	41.32	40.38	56.22
Noble	45.99	50.24	51.39	52.96	51.88	49.57	49.49	45.26	31.48	27.35	45.56
Ohio	30.59	34.49	29.79	31.00	34.37	35.73	34.97	33.16	25.95	21.78	31.18
Orange	30.29	35.40	31.95	34.68	32.20	33.91	32.23	29.53	11.56	14.19	28.59
Owen	35.23	40.32	37.21	37.22	37.21	35.95	33.15	30.77	23.60	23.65	33.43
Parke	36.24	40.64	39.06	37.06	38.27	37.84	35.53	34.15	25.04	23.86	34.77

TABLE 11 - Continued

Counties	Per Capita Tax Collections										
	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Perry	$21.97	$21.42	$20.54	$22.72	$23.38	$23.26	$23.14	$22.05	$15.79	$12.44	$20.67
Pike	31.34	34.98	31.91	33.35	29.06	31.96	29.87	28.77	18.08	18.99	28.83
Porter	65.38	59.68	58.11	59.98	68.79	72.40	72.74	70.71	57.66	51.57	63.70
Posey	40.14	45.78	50.04	44.13	44.97	47.11	43.18	37.98	22.52	22.78	39.86
Pulaski	44.58	51.12	48.87	54.49	52.40	53.97	53.39	47.39	30.68	31.95	46.88
Putnam	52.13	45.99	43.40	48.47	47.40	48.14	43.49	40.11	19.52	29.22	41.79
Randolph	49.03	49.06	43.30	52.45	49.95	47.88	49.03	45.41	27.88	32.75	44.67
Ripley	33.21	32.04	29.53	34.45	34.19	35.43	35.46	32.84	22.91	18.82	30.89
Rush	50.38	47.86	47.93	55.06	55.19	53.94	47.28	40.46	27.68	29.44	45.52
St. Joseph	60.22	40.64	40.69	43.12	44.11	47.57	48.32	49.32	36.27	35.89	44.62
Scott	38.77	39.13	36.60	38.85	36.28	39.23	34.57	31.42	19.21	14.23	32.83
Shelby	42.00	38.52	40.35	46.38	44.79	47.95	42.36	39.61	23.64	30.72	39.63
Spencer	29.84	34.12	34.65	35.37	27.75	33.19	26.35	23.70	13.75	13.23	27.20
Starke	45.42	38.54	46.38	50.64	48.81	53.47	54.30	45.26	31.16	19.65	43.36
Steuben	45.32	45.28	45.28	49.10	48.59	53.47	48.36	44.38	29.38	26.92	43.61
Sullivan	37.33	38.08	41.20	40.69	43.52	40.59	35.72	35.16	12.86	21.60	34.62
Switzerland	24.45	28.49	26.31	26.93	27.75	28.51	27.85	25.74	18.61	13.64	24.83
Tippecanoe	44.45	38.95	40.20	41.22	42.43	46.09	45.20	42.68	30.72	32.83	40.48
Tipton	38.20	40.03	39.19	40.95	39.63	42.10	40.17	37.33	23.96	24.79	36.64
Union	46.46	50.80	51.21	59.59	55.06	56.93	53.14	49.42	34.84	35.03	49.25
Vanderburgh	43.90	37.96	39.13	39.58	44.27	45.12	45.35	44.82	33.51	39.74	41.34
Vermillion	35.07	39.81	33.95	37.12	39.72	46.56	38.64	39.85	29.29	26.95	36.70
Vigo	44.26	45.34	45.66	47.35	46.36	47.90	41.42	45.05	33.32	31.86	42.85
Wabash	47.63	54.77	48.35	52.16	52.41	54.81	50.57	43.97	28.76	33.52	46.70
Warren	96.83	56.02	56.62	59.78	60.06	58.00	51.63	43.27	28.74	31.19	54.21
Warrick	56.89	34.15	32.95	36.11	37.82	36.46	32.67	31.75	9.47	17.00	32.53
Washington	35.42	32.41	31.88	33.75	35.02	35.51	31.27	26.28	11.69	16.21	28.94
Wayne	44.01	39.33	38.68	41.43	39.89	41.37	41.78	41.12	28.50	26.16	38.23
Wells	47.27	53.96	46.63	45.99	47.93	45.72	44.17	40.46	28.64	27.36	42.81
White	52.90	54.44	52.82	56.21	55.75	57.92	56.10	48.75	27.33	34.16	49.64
Whitley	51.03	51.08	48.92	53.54	52.08	52.62	49.03	47.61	28.03	28.09	46.20
Co. Average	41.81	40.70	39.93	42.55	42.62	43.92	41.63	38.89	25.23	25.23	38.25

TABLE 12

COUNTIES AND LOCAL UNITS RANKED ON BASIS OF 1924 - 1933 AVERAGE PER CAPITA TAX, AND THE PERCENTAGE OF VARIABILITY IN PER CAPITA TAX COLLECTIONS DURING THE TEN YEAR PERIOD

Counties	Average Per Capita Tax for Ten Year Period	Percentage Variability in Per Capita Tax	Local Unit	Average Per Capita Tax for Ten Year Period	Percentage Variability in Per Capita Tax
Porter	$63.70	33.2	Grant	$110.40	51.7
Benton	58.68	54.8	York	86.56	62.0
Newton	56.22	43.2	Pine	84.51	58.5
Jasper	54.50	62.4	Parish Grove	76.80	47.6
Warren	54.21	125.6	Union[a]	70.39	52.9
Kosciusko	49.99	54.0	Union[b]	68.56	72.2
Lake	49.92	93.5	Richland[b]	67.71	71.9
White	49.64	61.6	Bolivar	61.31	79.3
Fulton	49.55	77.3	Richland[a]	57.84	70.4
Union	49.25	50.3	Washington[b]	53.98	79.8
LaPorte	48.28	49.9	Dudley	52.47	63.4
Marion	47.61	21.9	Oak Grove	51.99	62.2
Pulaski	46.88	50.8	Hickory Grove	50.49	77.4
Wabash	46.70	55.8	Columbia	50.45	63.1
Marshall	46.66	55.9	Harrison[c]	49.67	56.0
Carroll	46.45	52.9	Center	47.29	65.5
Whitley	46.20	55.2	Jefferson[b]	46.02	74.7
Cass	45.91	50.7	Etna	45.46	77.6
Noble	45.56	56.2	Troy	44.92	65.9
Rush	45.52	60.4	Franklin[d]	44.83	36.1
Huntington	45.04	54.6	Thorncreek	43.87	46.6
Clinton	45.02	66.0	Cleveland	42.81	55.0
Randolph	44.67	55.0	Liberty[d]	42.18	66.9
St. Joseph	44.62	54.5	Wayne[c]	41.24	49.1
Hancock	44.20	60.6	Smith	39.99	69.9
Hendricks	44.13	51.9	Jefferson[d]	39.45	51.2
Steuben	43.61	60.9	Harrison[d]	38.99	59.6
Allen	43.50	41.4	Blue River	38.74	57.3
Starke	43.36	79.9	Fall Creek	38.64	57.5
Vigo	42.85	37.4	Greensboro	38.57	64.4
Wells	42.81	62.1	Stony Creek	38.52	59.7
Lagrange	42.59	50.5	Taylor	38.15	49.8
Montgomery	41.98	61.0	Jennings[c]	38.02	97.7
Putnam	41.79	78.0	Spiceland	37.56	64.7
Knox	41.76	84.9	Columbia City	37.17	61.7
Boone	41.45	56.2	Franklin[c]	36.98	69.8
Vanderburgh	41.34	28.6	Wayne[d]	36.82	61.3
Decatur	41.31	56.1	Marion	36.69	65.2
Hamilton	41.11	57.1	Spencer	35.66	45.3
Tippecanoe	40.48	38.0	Washington[c]	35.59	29.8
Miami	40.19	74.8	Gilboa	34.14	61.8
Posey	39.86	69.0	Jackson	33.11	50.5
Shelby	39.63	61.3	English	32.72	57.2
Adams	39.30	66.9	Henry	29.93	45.9
Gibson	39.18	73.9	Newcastle	29.93	52.4
Wayne	38.23	46.7	Jefferson[c]	29.42	96.0

TABLE 12 - Continued

Counties	Average Per Capita Tax for Ten Year Period	Percentage Variability in Per Capita Tax	Local Unit	Average Per Capita Tax for Ten Year Period	Percentage Variability in Per Capita Tax
Fountain	$37.99	79.9	Lafayette	$ 29.03	76.0
Dekalb	37.85	38.3	Prairie	28.33	54.4
Elkhart	37.83	60.1	Morgan	28.09	56.7
Johnson	37.35	66.3	Montgomery	26.27	73.9
Delaware	37.15	49.2	Knightstown	25.95	49.9
Fayette	37.08	46.7	Milltown	21.97	50.0
Vermillion	36.70	53.4	Middletown	21.84	64.0
Tipton	36.64	49.5	Patoka	21.75	59.9
Blackford	36.11	31.5	Liberty[e]	21.03	57.4
Parke	34.77	48.3	Marengo	19.73	52.6
Sullivan	34.68	88.4	Sterling	19.35	66.7
Grant	34.35	49.8	Whiskey Run	19.33	50.5
Jay	34.23	51.2	Ohio	16.53	56.4
Howard	34.03	51.3	Clay	16.25	70.6
Owen	33.43	50.0	Johnson	15.64	52.4
Henry	33.40	53.7	Jennings[e]	15.27	57.0
Morgan	33.34	71.1	Boone	12.33	55.9
Clay	33.27	64.8	Union[e]	11.18	48.0
Monroe	33.08	60.4			
Scott	32.83	76.1			
Warrick	32.53	145.7			
Madison	31.90	42.8			
Bartholomew	31.76	58.2			
Lawrence	31.69	69.7			
Franklin	31.68	61.0			
Ohio	31.18	44.7			
Ripley	30.89	53.9			
Daviess	30.62	88.1			
Jennings	30.57	75.5			
Jackson	29.53	52.0			
Washington	28.94	82.3			
Dearborn	28.85	42.1			
Pike	28.83	58.6			
Clark	28.78	67.9			
Orange	28.59	83.4			
Greene	27.82	87.7			
Spencer	27.20	81.4			
Floyd	26.92	56.1			
Jefferson	25.96	50.0			
Switzerland	24.83	59.9			
Dubois	24.50	63.8			
Martin	22.99	100.2			
Harrison	21.37	60.9			
Perry	20.67	52.9			
Brown	20.48	40.2			
Crawford	18.56	54.6			

[a]Benton County. [b]Whitley County. [c]Owen County.

[d]Henry County. [e]Crawford County.

the ten year average for each unit presents the disparity in per capita tax collections as a percentage of the mean rather than as a percentage of the maximum or of the earliest or latest year. It may be noted from Tables 8 and 10 that changes in per capita wealth and changes in per capita tax collections do not show exactly the same trends during the period from 1924 to 1933. In all counties there is found a consistent decline in the per capita assessment of property from the first to the latest year of this period. Per capita tax collections, on the other hand, fluctuate irregularly, especially during the later years of the period. Because of this irregularity, the trend in per capita tax collections is more significantly denoted if the range of the averages is expressed as a percentage of the mean for the ten year period than it would be if expressed as a percentage of the taxes collected in any one year.

The per cent of variability in per capita tax in these governmental units and the average per capita tax throughout the ten year period have no definite relation. The correlation was found to be $.045 \pm .070$. The greatest loss in per capita tax is found in Warren, Warrick and Martin Counties. Marion and Vanderburgh Counties have the smallest percentage of fluctuation in per capita tax. The three counties showing a variability from the mean of over 100 per cent are rural in character while the two counties showing less than thirty per cent are largely urban in character. The range of the percentage of fluctuation is from 21.9 for Marion County to 145.7 for Warrick County. Another factor accounts for some of the variation in the percentages. The legislature, in response to the demands of taxpayers' leagues, enacted a tax limitation law placing the maximum levy at $1.50 on the hundred dollars, but at the same time and in the same law placed an emergency clause permitting the tax levying agency to exceed the maximum limit of $1.50 by declaring that an emergency existed. A few of the counties attempted to carry on government on a tax levy of $1.50; however, the most of the units availed themselves of the emergency clause placed in the act.

Ratio of Taxes Gathered to Assessed Valuation

The ratio of taxes gathered to assessed valuation is an indication of the effort expended by any particular unit in the support of government. The ratio obtained by using per capita tax as

the numerator and per capita wealth as the denominator is the same as that obtained by using taxes gathered as the numerator and assessed valuation as the denominator, since both the numerator and denominator of the second fraction are divided by population in computing the numerator and the denominator of the first. The ratios presented in Table 13 are obtained by dividing the annual taxes gathered by the annual assessed valuation for each of the local units of the five Indiana counties. This ratio represents the percentage of the total wealth of the unit contributed each year to the support of government. The general property tax is imposed on the assumption that wealth as represented by assessed valuation is a true measure of the tax paying ability. The governmental units possessed of the greater per capita wealth, since they are more able to pay tax, should pay according to their ability. The question as to whether they should pay even at a greater rate than the lower per capita wealth units is pertinent, since income is an attribute of wealth and it is common practice to tax the larger incomes at greater rates than the smaller.

The data presented in this table give positive evidence that the rate at which the general property tax is levied by a series of small units of different wealth, tends to vary inversely with the wealth. The wealthier units have the smaller tax rates, while the poorer units have the larger. This variation is not only pronounced for the state but also for the units within the county. The ten year averages for the local units of the five counties have the following ranges: Benton County, York Township .014, Bolivar Township .021, range .007; Whitley County, Columbia Township .016, Columbia City .034, range .018; Henry County, Wayne Township, .014 Knightstown, .030, range .016; Owen County, Harrison Township, .027, Spencer .041, range .014; Crawford County, Liberty Township, .034, English, .048, range .014. The range for the sixty-four units is from .014 for York Township, Benton County, to .048 for English, a town of Crawford County, or .034.

The average ratio for the sixty-four units, throughout the ten year period, varies from .032 in 1929 to .024 in 1924. Assuming that this ratio is an indication of the effort expended by the various units to support government, the year 1924 required the least effort, while the year 1929 required the greatest during this period. The most significant feature of this table is the wide variation of the ratios for the different units when compared to

TABLE 13

THE RATIO OF TAXES GATHERED TO ASSESSED VALUATION FOR THE LOCAL UNITS OF FIVE INDIANA COUNTIES, RANGING FROM WEALTHIEST TO POOREST, 1924 TO 1933, INCLUSIVE

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
BENTON											
Parish Grove	.012	.014	.013	.016	.018	.020	.020	.018	.018	.019	.017
Pine	.013	.015	.015	.018	.017	.022	.020	.018	.018	.017	.017
Oak Grove	.015	.015	.014	.015	.017	.024	.023	.021	.019	.019	.018
Gilboa	.012	.014	.015	.017	.021	.021	.021	.020	.017	.016	.017
York	.013	.014	.013	.014	.015	.015	.014	.016	.015	.012	.014
Center	.013	.013	.014	.021	.021	.021	.020	.019	.016	.017	.018
Bolivar	.015	.018	.019	.028	.026	.022	.019	.021	.020	.019	.021
Union	.012	.013	.014	.016	.016	.019	.017	.018	.016	.018	.016
Richland	.014	.014	.015	.019	.016	.020	.019	.017	.014	.013	.016
Grant	.015	.014	.014	.020	.020	.021	.020	.020	.018	.018	.018
Hickory Grove	.011	.013	.014	.013	.018	.020	.021	.019	.015	.014	.016
WHITLEY											
Cleveland	.021	.021	.020	.021	.020	.023	.019	.024	.019	.023	.021
Richland	.024	.025	.026	.025	.029	.033	.030	.026	.025	.022	.027
Troy	.026	.030	.031	.030	.034	.033	.031	.033	.028	.024	.030
Etna	.024	.029	.029	.033	.034	.034	.030	.026	.020	.021	.028
Washington	.018	.022	.018	.022	.025	.025	.024	.014	.016	.016	.020
Columbia City T	.031	.033	.037	.039	.039	.039	.037	.037	.022	.029	.034
Columbia	.014	.016	.016	.018	.019	.018	.016	.016	.012	.013	.016
Thorncreek	.023	.023	.022	.028	.028	.030	.030	.030	.027	.024	.027
Jefferson	.012	.020	.016	.023	.023	.024	.023	.020	.014	.017	.019
Union	.016	.016	.016	.025	.024	.023	.021	.021	.019	.019	.020
Smith	.026	.027	.027	.036	.035	.034	.033	.031	.022	.026	.030
HENRY											
Wayne	.013	.013	.012	.013	.013	.017	.016	.016	.013	.014	.014
Knightstown T	.025	.028	.029	.029	.031	.032	.032	.033	.028	.029	.030

TABLE 13 - Continued

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Franklin	.014	.014	.014	.016	.017	.018	.017	.016	.017	.018	.016
Dudley	.015	.015	.016	.018	.024	.024	.021	.021	.020	.017	.019
Liberty	.014	.014	.014	.015	.018	.019	.018	.016	.013	.013	.015
Henry	.014	.014	.014	.017	.018	.020	.019	.019	.017	.017	.017
Newcastle T	.027	.026	.025	.026	.026	.029	.028	.028	.025	.022	.026
Greensboro	.018	.019	.022	.025	.028	.029	.028	.026	.026	.022	.024
Harrison	.018	.020	.018	.019	.021	.023	.022	.022	.019	.018	.020
Fall Creek	.018	.019	.017	.020	.021	.025	.024	.024	.018	.022	.021
Middletown T	.025	.025	.027	.027	.028	.031	.030	.031	.021	.023	.027
Prairie	.017	.018	.018	.022	.024	.027	.026	.026	.021	.022	.022
Stony Creek	.021	.026	.025	.028	.025	.029	.021	.029	.032	.029	.027
Spiceland	.017	.019	.019	.021	.024	.025	.024	.023	.019	.018	.021
Jefferson	.015	.017	.016	.020	.020	.022	.021	.020	.017	.021	.019
Blue River	.019	.019	.018	.023	.024	.027	.025	.022	.019	.022	.022
OWEN											
Wayne	.024	.028	.027	.035	.033	.031	.030	.032	.032	.037	.031
Montgomery	.033	.037	.033	.037	.038	.038	.037	.037	.026	.030	.035
Washington	.027	.030	.028	.031	.031	.031	.031	.021	.032	.036	.030
Spencer T	.039	.042	.040	.041	.041	.044	.040	.040	.043	.043	.041
Morgan	.032	.035	.033	.035	.032	.040	.039	.035	.032	.032	.035
Jackson	.035	.039	.034	.038	.038	.036	.036	.030	.025	.029	.034
Clay	.034	.037	.034	.042	.041	.048	.043	.036	.032	.035	.038
Franklin	.031	.031	.029	.032	.033	.032	.030	.028	.030	.031	.031
Jefferson	.039	.034	.036	.038	.040	.037	.037	.033	.027	.030	.035
Marion	.036	.030	.038	.037	.038	.039	.038	.038	.032	.035	.036
Lafayette	.031	.032	.030	.032	.036	.036	.032	.031	.026	.029	.032
Jennings	.032	.040	.033	.040	.038	.037	.036	.030	.031	.035	.035
Taylor	.032	.036	.033	.037	.036	.038	.034	.031	.030	.035	.034
Harrison	.026	.029	.026	.028	.027	.030	.024	.024	.025	.030	.027
CRAWFORD											
Jennings	.037	.040	.039	.044	.042	.044	.043	.043	.039	.035	.041

TABLE 13 - Continued

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Whiskey Run	.030	.040	.038	.040	.043	.044	.043	.041	.037	.034	.039
Milltown T	.042	.049	.047	.046	.047	.051	.049	.046	.041	.045	.046
Liberty	.027	.036	.034	.033	.034	.038	.036	.037	.032	.027	.033
Marengo T	.047	.045	.047	.043	.042	.044	.041	.042	.038	.037	.043
Sterling	.030	.037	.036	.038	.036	.044	.040	.039	.035	.029	.036
Patoka	.030	.034	.032	.037	.038	.041	.040	.037	.035	.030	.035
English T	.046	.050	.048	.049	.048	.055	.049	.047	.046	.045	.048
Johnson	.027	.032	.031	.040	.040	.044	.040	.042	.039	.035	.037
Union	.028	.042	.039	.041	.041	.047	.043	.041	.041	.038	.040
Ohio	.033	.039	.038	.040	.045	.048	.048	.043	.039	.037	.041
Boone	.036	.045	.044	.045	.044	.047	.046	.041	.038	.034	.042
Average	.024	.026	.026	.029	.029	.032	.029	.028	.025	.026	.027

the variation of the ratio for the same unit from year to year. The tables prepared in regard to per capita wealth and per capita tax have both shown drastic reductions during 1932 and 1933, but the ratio of taxes gathered to assessed valuation shows no corresponding reduction.

The data presented in Table 14 are the ratios of taxes gathered to assessed valuation, but in this case, the county is taken as the unit. The average ratio of each county for a period of ten years shows Benton County the lowest, the average being .017 and Brown County the highest, with a ten year average of .041. The range for the counties is .024 as compared to .034 for the sixty-four units previously considered. The range of variation in this ratio is reduced by using the county as a unit rather than the townships, towns and cities.

The average annual ratio for all the counties ranges from .023 in 1932 to .031 in 1929. The ratio varies .008 during the ten years presented in the table. The average for both the column and row of averages is .028. The column averages vary from .013 above to .011 below the mean, while the row varies from .005 below to .003 above the mean.

Ratio of General Property Tax Levied for Schools to General Property Tax Levied for Civil Purposes

The ratio of the general property tax levied for school purposes to the general property tax levied for civil purposes expresses the school tax as a percentage of the civil tax. Tables 15 and 16 present these annual ratios in both the local units and the counties for the period 1924 to 1933, inclusive. There are certain instances in which taxes were levied for school purposes, but no taxes were levied for civil purposes. These ratios having zero as a denominator become infinite and of no significance for comparative purposes.

The taxing units that made no levies for civil purposes were, for the most part, borrowing funds or using the balances on hand. There were a few instances where careful management of utilities produced profits large enough to reduce materially or eliminate entirely the civil levies. The rapid increase in the ratio during the last five years would indicate that during a period of retrenchment in all government expenditures there is less retrench-

TABLE 14

THE RATIO OF TAXES GATHERED TO ASSESSED VALUATION, BY COUNTIES, FOR THE STATE OF INDIANA, 1924 TO 1933, INCLUSIVE

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Av.
Adams	.023	.023	.023	.025	.027	.026	.026	.022	.016	.023	.023
Allen	.020	.020	.019	.021	.022	.024	.023	.024	.022	.026	.022
Bartholomew	.022	.021	.021	.024	.024	.026	.023	.021	.017	.019	.022
Benton	.013	.014	.015	.018	.019	.021	.019	.019	.017	.017	.017
Blackford	.020	.021	.021	.023	.016	.024	.023	.025	.023	.026	.022
Boone	.017	.019	.018	.023	.024	.024	.022	.022	.016	.022	.021
Brown	.038	.042	.040	.042	.041	.042	.045	.039	.038	.041	.041
Carroll	.016	.019	.019	.021	.022	.022	.020	.020	.018	.018	.020
Cass	.025	.027	.026	.029	.030	.032	.032	.029	.023	.030	.028
Clark	.030	.028	.027	.032	.035	.034	.029	.034	.021	.023	.029
Clay	.035	.031	.031	.037	.041	.042	.040	.036	.032	.029	.035
Clinton	.020	.022	.020	.024	.026	.028	.025	.022	.018	.019	.022
Crawford	.034	.040	.039	.041	.041	.045	.043	.041	.038	.035	.040
Daviess	.032	.031	.029	.030	.035	.036	.034	.034	.015	.023	.030
Dearborn	.030	.031	.028	.029	.030	.032	.031	.030	.026	.027	.029
Decatur	.022	.024	.023	.026	.029	.029	.025	.023	.021	.023	.025
Dekalb	.020	.022	.022	.023	.024	.025	.024	.024	.021	.025	.023
Delaware	.024	.025	.023	.025	.026	.028	.027	.025	.028	.030	.026
Dubois	.032	.033	.031	.035	.035	.039	.037	.036	.027	.023	.033
Elkhart	.023	.024	.023	.026	.028	.023	.028	.025	.026	.018	.024
Fayette	.024	.025	.024	.025	.026	.027	.027	.026	.021	.023	.025
Floyd	.033	.037	.031	.034	.032	.038	.034	.034	.026	.038	.038
Fountain	.022	.025	.026	.031	.033	.033	.029	.029	.019	.021	.027
Franklin	.024	.025	.027	.028	.033	.030	.028	.027	.023	.024	.027
Fulton	.024	.025	.027	.031	.033	.026	.027	.024	.019	.019	.026
Gibson	.028	.028	.029	.033	.035	.038	.035	.033	.021	.035	.032
Grant	.023	.025	.024	.025	.026	.029	.027	.027	.025	.029	.026
Greene	.031	.032	.032	.035	.036	.039	.039	.037	.016	.017	.031
Hamilton	.021	.021	.023	.027	.026	.028	.026	.024	.021	.029	.025
Hancock	.019	.021	.018	.023	.023	.023	.021	.018	.016	.018	.020
Harrison	.039	.038	.038	.037	.039	.041	.043	.041	.040	.029	.039
Hendricks	.021	.022	.021	.024	.026	.024	.025	.023	.020	.023	.023
Henry	.019	.020	.019	.022	.023	.025	.024	.024	.021	.020	.022
Howard	.021	.024	.022	.024	.025	.027	.028	.029	.022	.022	.024
Huntington	.024	.026	.025	.027	.029	.028	.028	.025	.022	.025	.026
Jackson	.026	.025	.024	.027	.026	.027	.025	.023	.021	.022	.025
Jasper	.023	.024	.024	.027	.030	.031	.029	.026	.020	.025	.026
Jay	.020	.021	.020	.024	.026	.025	.025	.024	.023	.021	.023
Jefferson	.032	.032	.032	.035	.036	.037	.037	.035	.031	.028	.034
Jennings	.029	.029	.030	.034	.035	.036	.033	.031	.026	.020	.030
Johnson	.022	.024	.021	.024	.025	.026	.025	.023	.016	.019	.023
Knox	.028	.028	.030	.034	.039	.040	.035	.032	.021	.029	.032
Kosciusko	.024	.023	.023	.026	.027	.028	.027	.026	.022	.023	.025
Lagrange	.019	.020	.020	.023	.024	.025	.023	.022	.020	.022	.022
Lake	.029	.029	.031	.033	.033	.033	.033	.034	.032	.033	.032
LaPorte	.027	.029	.028	.030	.030	.031	.032	.032	.030	.022	.029
Lawrence	.040	.035	.036	.035	.034	.036	.037	.036	.021	.031	.034
Madison	.025	.026	.028	.030	.029	.029	.032	.031	.027	.032	.029

TABLE 14 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Av.
Marion	.025	.027	.025	.026	.026	.028	.027	.027	.027	.030	.027
Marshall	.024	.023	.023	.028	.029	.031	.028	.025	.022	.027	.026
Martin	.038	.038	.039	.040	.041	.041	.040	.039	.031	.032	.038
Miami	.024	.026	.026	.031	.030	.031	.029	.027	.016	.022	.026
Monroe	.037	.034	.032	.034	.033	.035	.034	.034	.031	.029	.033
Montgomery	.019	.019	.019	.024	.028	.027	.025	.021	.021	.029	.023
Morgan	.030	.030	.029	.034	.036	.036	.031	.030	.023	.026	.031
Newton	.017	.021	.021	.022	.023	.025	.024	.021	.021	.023	.022
Noble	.021	.023	.023	.025	.025	.024	.025	.023	.021	.021	.023
Ohio	.034	.034	.031	.034	.038	.040	.040	.038	.038	.034	.036
Orange	.033	.040	.036	.040	.039	.041	.039	.038	.019	.025	.035
Owen	.032	.035	.032	.036	.036	.036	.034	.033	.032	.035	.034
Parke	.026	.027	.026	.028	.031	.031	.030	.029	.029	.030	.029
Perry	.036	.035	.033	.037	.038	.039	.039	.037	.035	.030	.036
Pike	.033	.036	.032	.036	.033	.036	.035	.035	.029	.033	.034
Porter	.022	.023	.022	.023	.025	.027	.027	.026	.026	.026	.025
Posey	.025	.029	.031	.030	.033	.035	.033	.030	.025	.027	.030
Pulaski	.021	.022	.021	.025	.026	.027	.027	.024	.020	.023	.024
Putnam	.027	.026	.024	.029	.031	.030	.028	.026	.017	.028	.027
Randolph	.022	.023	.020	.026	.026	.025	.026	.025	.020	.025	.024
Ripley	.031	.030	.027	.034	.035	.036	.036	.034	.029	.027	.032
Rush	.018	.018	.018	.023	.024	.024	.021	.019	.017	.020	.020
St. Joseph	.026	.025	.024	.024	.024	.026	.026	.027	.025	.028	.026
Scott	.035	.035	.032	.037	.038	.042	.038	.036	.027	.022	.034
Shelby	.019	.018	.019	.023	.023	.024	.022	.021	.017	.024	.021
Spencer	.031	.036	.037	.040	.042	.042	.034	.031	.024	.025	.034
Starke	.019	.021	.021	.025	.024	.027	.027	.023	.019	.014	.022
Steuben	.024	.024	.024	.027	.026	.029	.026	.024	.022	.022	.025
Sullivan	.030	.030	.032	.035	.041	.040	.036	.036	.018	.033	.033
Switzerland	.034	.036	.033	.037	.038	.038	.038	.035	.032	.025	.035
Tippecanoe	.020	.020	.021	.022	.024	.025	.025	.024	.020	.024	.023
Tipton	.016	.017	.017	.020	.020	.022	.021	.020	.018	.020	.019
Union	.018	.020	.020	.025	.024	.025	.023	.022	.018	.020	.022
Vanderburgh	.027	.028	.029	.029	.031	.031	.031	.031	.027	.034	.030
Vermillion	.022	.026	.022	.026	.029	.033	.030	.032	.034	.035	.029
Vigo	.032	.032	.032	.034	.035	.036	.032	.035	.033	.035	.036
Wabash	.024	.027	.024	.027	.029	.030	.028	.026	.022	.029	.027
Warren	.016	.017	.017	.021	.024	.023	.021	.018	.016	.019	.019
Warrick	.039	.034	.034	.040	.044	.042	.039	.038	.015	.029	.035
Washington	.031	.032	.031	.035	.036	.037	.033	.029	.017	.027	.031
Wayne	.026	.027	.026	.028	.027	.028	.028	.028	.024	.024	.027
Wells	.023	.025	.022	.024	.027	.026	.025	.024	.022	.023	.024
White	.019	.019	.019	.023	.023	.024	.024	.021	.017	.022	.021
Whitley	.022	.023	.022	.026	.027	.028	.026	.026	.019	.021	.024
Average	.026	.027	.026	.029	.030	.031	.030	.028	.023	.026	.028

ment in school than in civil expenditures.

The average ratio for the sixty-four local units for the ten year period ranges from 1.00 in 1924 to 1.87 in 1928. The mean of the ten year averages is 1.38. The greatest variation is above the mean. The variation is affected during the last four years of the table through the elimination of the civil levies by some of the local units.

The average ratio of each unit for the ten year period is recorded in the last column of Table 15. These averages range from .22 for Columbia Township, Whitley County, to 8.86 for Boone Township, Crawford County. It is quite evident that the wealthier units use a smaller relative portion of the tax moneys for schools than the poorer units. Evidently the schools are a branch of government that demand a fairly constant expenditure. The wide variation in the ratios during a period when the total tax moneys are diminishing, as shown by the appendix tables, would indicate that civil expenditures are subject to much greater variation than school expenditures. The civil expenditures increase at a time when taxes are collected easily and decrease rapidly at a time when it is difficult to gather taxes. The expenditures for schools during this ten year period have fluctuated much less than civil expenditures. The civil and school expenditures behave much the same as the luxury and necessity expenditures of the average household during the same period of time.

The annual average ratios for the counties have a range from .60 in 1925 to 3.61 in 1932. The counties are taken as the unit and the ratios of school to civil expenditures are presented in Table 16. The ratios in this table, the same as the table for the local units, show a rapid increase throughout the ten year period. It is evident that during this period the schools are demanding a constantly increasing share of the total taxes. The ten year averages for the counties range from .56 for Crawford and Vanderburgh Counties to 12.88 for Miami County. Due to the meager civil levy of 1932, the ratio for Miami County is not representative of the series. The next highest average of 5.77 is held by Daviess County. Neither the variation of the annual or ten year averages are reduced by using the county as a unit rather than the local units; however, since the county bears the greater portion of the civil expenditures, as mentioned in the third chapter, and since civil expenditures show the greatest variation in times of

TABLE 15

THE RATIO OF PROPERTY TAX LEVIED FOR SCHOOL PURPOSES TO PROPERTY TAX LEVIED FOR CIVIL PURPOSES FOR THE LOCAL UNITS OF FIVE INDIANA COUNTIES, RANGING FROM WEALTHIEST TO POOREST, 1924 TO 1933, INCLUSIVE

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
BENTON											
Parish Grove	1.06	1.24	.80	.85	.98	.82	.80	.70	.80	.88	.89
Pine	.91	1.08	.83	1.27	.97	1.02	.94	.87	1.02	1.43	1.03
Oak Grove	.79	.73	.77	.64	.70	1.12	1.17	1.13	1.18	.60	.88
Gilboa	.63	.71	.89	.99	1.01	.82	.76	.78	.71	1.03	.83
York	1.10	1.42	1.53	1.25	1.44	1.16	1.25	1.33	1.75	1.34	1.36
Center	.65	.65	.60	.78	.87	.66	.64	.50	.82	.76	.69
Bolivar	1.08	1.10	1.40	1.80	1.44	.88	.73	.92	.92	.87	1.11
Union	.75	.73	1.05	1.10	1.02	.68	.63	.97	.78	1.01	.87
Richland	.55	.62	.91	1.02	.93	1.08	.98	1.01	1.30	1.31	.97
Grant	.76	.62	.61	1.08	.92	.88	.86	.72	.73	.68	.79
Hickory Grove	.48	.67	.79	.83	1.05	.80	.70	.63	.54	.27	.68
WHITLEY											
Cleveland	.47	.45	.57	.54	.43	.48	.28	.83	.89	.87	.58
Richland	.46	.39	.30	.44	.45	.54	.81	.77	1.00	.66	.58
Troy	.40	.55	.72	.57	.51	.47	1.10	1.04	1.45	.80	.76
Etna	.20	.36	.37	.51	.53	.83	.95	.82	.65	.54	.58
Washington	.25	.38	.31	.46	.48	.57	.72	.76	.79	.49	.52
Columbia City T	.51	.47	.47	.46	.50	.63	.68	.72	1.12	1.38	.69
Columbia	.15	.19	.18	.24	.28	.25	.23	.24	.28	.17	.22
Thorncreek	.42	.43	.48	.66	.52	.56	1.06	.98	1.34	.94	.74
Jefferson	.38	.37	.26	.29	.27	.45	.42	.54	.31	.32	.36
Union	.44	.35	.28	.47	.42	.42	.44	.45	.70	.51	.45
Smith	.70	.56	.48	.62	.57	.61	.68	.87	.63	.49	.62
HENRY											
Wayne	.78	.72	.68	.66	.95	.82	.86	.74	.95	.72	.79
Knightstown T	.98	1.20	.78	1.12	1.11	1.06	1.12	1.14	1.57	1.20	1.13

TABLE 15 - Continued

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Franklin	.85	.76	.78	.74	1.18	.78	.78	.78	1.56	1.21	.94
Dudley	.97	.98	1.28	1.20	1.62	1.01	1.35	1.34	2.50	1.15	1.34
Liberty	.68	.67	.69	.67	1.07	.99	1.01	.75	1.02	.77	.83
Henry	.88	.95	1.08	1.18	1.44	1.29	1.22	1.20	1.42	1.08	1.17
Newcastle T	.75	.70	.72	.67	.66	.59	.60	.60	.71	.39	.64
Greensboro	.97	1.15	1.42	1.38	1.84	1.51	1.35	1.27	1.66	.97	1.35
Harrison	1.15	1.22	1.22	1.15	1.51	1.28	1.30	1.40	1.72	1.08	1.30
Fall Creek	1.16	1.19	.79	.50	1.31	1.40	1.36	1.15	.86	.72	1.04
Middletown T	.45	.40	.41	.44	.48	.50	.56	.63	1.26	.93	.61
Prairie	1.13	1.20	1.37	1.34	1.61	1.74	1.72	1.74	2.25	1.59	1.57
Stony Creek	.86	1.33	1.94	1.83	2.41	1.71	1.01	.87	2.76	2.06	1.68
Spiceland	1.13	1.31	1.39	1.38	1.85	1.31	1.26	1.23	1.43	1.00	1.33
Jefferson	.88	1.17	1.23	1.33	1.66	1.28	1.25	1.20	1.61	1.60	1.32
Blue River	1.12	1.04	1.07	1.26	1.57	1.41	1.42	1.09	1.53	1.77	1.33
OWEN											
Wayne	.42	.34	.35	.65	.75	.58	1.02	3.11	1.36	.85	.94
Montgomery	.56	.73	.86	.70	.83	.87	1.12	2.24	....	1.04	.90
Washington	.67	.59	.81	.79	.93	.82	.94	.85	.93	.52	.79
Spencer T	.59	.53	.61	.58	.84	.85	1.02	.98	.76	.45	.72
Morgan	.88	1.04	1.33	1.10	1.70	1.43	3.45	3.09	6.04	.84	2.09
Jackson	.55	.65	.93	.88	1.04	.90	1.28	1.67	3.48	.77	1.22
Clay	.84	2.12	1.23	1.26	2.96	1.72	4.23	....	....	....	1.44
Franklin	.60	.55	.76	.66	.91	1.05	1.43	1.51	1.14	1.39	1.00
Jefferson	.40	.88	.94	.98	.99	1.28	1.48	3.86	....	5.25	1.61
Marion	.70	.97	.99	1.07	1.07	1.08	1.11	1.31	2.09	2.11	1.25
Lafayette	.63	.76	1.23	.85	1.55	1.45	2.74	1.21	6.33	.39	1.71
Jennings	.39	.33	.35	.48	.52	.53	.59	.83	.63	.30	.50
Taylor	.69	1.17	2.26	1.55	1.40	1.39	2.28	5.73	4.19	5.74	2.64
Harrison	.42	.39	.39	.39	.39	.35	.32	.39	.43	.37	.38
CRAWFORD											
Jennings	3.64	15.89	126.10	5.43	6.72	3.03	....	....	....	....	3.47

TABLE 15 - Continued

Counties and Local Units	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Whiskey Run	.50	.68	.89	.89	.91	.67	.61	.64	1.81	1.15	.88
Milltown T	6.81	28.33	11.70	4.59	6.20	2.78	....	....	....	....	6.04
Liberty	.26	.43	1.73	.53	.45	.47	.50	.49	.62	.24	.57
Marengo T	2.67	4.66	1.65	2.97	2.39	1.67	33.30	4.84	6.61	....	6.08
Sterling	.50	.59	.77	1.07	.77	.70	.92	.87	1.02	2.97	1.02
Patoka	.76	.79	.98	.65	.84	.76	1.01	1.26	1.77	.92	.97
English T	1.83	1.74	.98	.89	1.06	.72	.93	2.08	2.72	2.40	1.54
Johnson	1.13	1.36	2.09	.99	.96	1.34	2.13	1.74	5.98	3.74	2.15
Union	1.98	2.10	3.10	2.63	1.33	1.16	5.66	14.80	....	2.99	3.58
Ohio	.44	1.53	1.39	1.31	1.07	1.51	2.28	6.64	....	....	1.62
Boone	6.94	8.62	10.80	16.10	42.38	3.74	....	....	....	....	8.86
Average	1.00	1.69	1.26	1.31	1.87	1.05	1.65	1.48	1.44	1.09	1.38

TABLE 16

THE SCHOOL EXPENDITURE - CIVIL EXPENDITURE RATIO, BY COUNTIES, FOR THE STATE OF INDIANA, FOR THE PERIOD 1924 TO 1933, INCLUSIVE

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Adams	.48	.47	.46	.47	.51	.65	.69	.85	3.41	1.25	.92
Allen	.49	.60	.48	.65	.42	.74	.74	.62	1.12	.83	.67
Bartholomew	.52	.54	.56	.66	.56	.87	1.33	1.04	1.82	1.98	.99
Benton	.77	.82	.89	1.01	.70	1.01	2.18	1.30	2.71	1.82	1.32
Blackford	.69	.67	.59	.58	.51	2.01	1.37	.75	1.99	1.09	1.03
Boone	.58	.55	.60	.71	.61	.93	1.55	.73	2.55	1.43	1.02
Brown	.51	.47	.52	.58	.52	7.12	4.49	....	....	....	1.42
Carroll	.70	.61	.65	.76	.58	.91	1.19	.75	2.36	1.61	1.01
Cass	.62	.60	.64	.70	.53	.85	.90	.96	1.76	.83	.84
Clark	.50	.51	.56	.57	.43	1.00	1.12	.74	3.16	1.54	1.01
Clay	.61	.73	.68	.68	.51	1.29	.86	.97	2.38	4.09	1.28
Clinton	.71	.78	.70	.77	.62	1.29	1.42	1.56	4.27	2.41	1.45
Crawford	.91	.46	.45	.45	.44	3.72	2.66	4.03	....	....	1.31
Daviess	.58	.59	.65	.68	.31	.79	1.27	1.14	....	51.70	5.77
Dearborn	.57	.56	.56	.63	.53	.88	.84	.82	1.59	1.71	.87
Decatur	.43	.41	.47	.51	.43	.82	.80	.77	1.44	1.37	.75
Dekalb	.60	.61	.54	.59	.33	.80	1.47	.69	1.24	1.09	.80
Delaware	.68	.72	.75	.74	.46	.87	.95	1.06	1.50	1.21	.89
Dubois	.36	.37	.38	.42	.39	.71	.87	.80	2.65	32.70	3.97
Elkhart	.72	.71	.64	.76	.74	1.39	1.00	.82	1.18	8.49	1.65
Fayette	.75	.67	.70	.70	.60	.84	.86	.83	2.11	1.43	.95
Floyd	.46	.21	.38	.47	.42	.62	.59	.57	1.26	.57	.56
Fountain	.68	.81	.83	.80	.62	1.28	1.23	1.03	....	14.94	2.22
Franklin	.63	.58	.51	.59	.44	.86	1.00	.95	2.75	2.60	1.09
Fulton	.54	.58	.58	.56	.46	1.36	1.12	1.35	6.75	4.64	1.79
Gibson	.62	.64	.61	.63	.52	.65	1.00	.84	7.24	1.30	1.41
Grant	.62	.70	.64	.72	.57	.91	1.15	.77	1.95	1.73	.98
Greene	.61	.57	.57	.69	.55	1.32	1.16	.99	....	....	.65
Hamilton	.58	.62	.61	.62	.61	.78	1.63	1.31	2.12	1.01	.99

TABLE 16 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Hancock	.66	.65	.81	.97	.62	1.12	1.35	1.77	5.68	3.32	1.70
Harrison	.43	.43	.52	.48	.41	1.92	1.90	2.93	....	....	.90
Hendricks	.86	.69	.65	.70	.58	2.02	.93	1.11	2.66	1.72	1.19
Henry	.91	.89	.80	.90	.78	1.45	1.92	1.55	2.88	2.71	1.48
Howard	.58	.59	.62	.61	.60	1.16	1.30	.73	1.27	1.59	.91
Huntington	.52	.58	.55	.61	.57	1.03	1.15	1.02	2.77	1.69	1.05
Jackson	.71	.65	.62	.67	.55	1.56	1.28	1.47	4.11	11.61	2.32
Jasper	.45	.44	.48	.59	.55	.72	.81	1.01	2.38	1.16	.86
Jay	.42	.45	.42	.48	.48	.78	.80	.79	1.09	1.91	.76
Jefferson	.68	.64	.55	.52	.48	2.41	1.22	1.65	4.07	....	1.22
Jennings	.79	.70	.71	.63	.56	1.26	1.35	1.50	15.77	....	2.33
Johnson	.63	.67	.70	.78	.68	1.84	1.20	1.24	....	3.12	1.09
Knox	.57	.72	.69	.75	.46	.63	.82	.92	4.26	1.90	1.17
Kosciusko	.61	.60	.55	.58	.46	.76	.83	.66	1.74	1.44	.82
Lagrange	.72	.68	.61	.71	.58	.84	1.19	.92	1.81	1.43	.95
Lake	.61	.54	.63	.64	.79	.76	.74	.71	.86	.85	.71
LaPorte	.51	.59	.55	.60	.59	.70	.70	.65	.76	1.18	.68
Lawrence	.61	.73	.62	.76	.61	1.29	1.13	1.11	....	2.21	.91
Madison	.56	.57	.52	.59	.62	1.09	.73	.76	2.04	1.39	.89
Marion	.53	.58	.57	.60	.56	1.31	.80	.61	.70	.75	.70
Marshall	.43	.49	.54	.60	.52	1.26	1.13	.88	1.42	.95	.82
Martin	.49	.46	.47	.50	.46	.49	3.95	5.63	....	....	1.25
Miami	.73	.75	.70	.73	.59	1.17	.94	1.05	119.95	2.16	12.88
Monroe	.72	.60	.61	.73	.59	1.52	1.58	1.27	1.97	4.06	1.37
Montgomery	.80	.75	.72	.82	.65	1.10	.90	1.32	3.32	1.21	1.16
Morgan	.64	.59	.64	.61	.53	1.11	1.14	1.40	9.29	13.50	2.95
Newton	.68	.78	.73	.85	.57	.82	.91	.84	1.20	1.20	.86
Noble	.53	.50	.52	.59	.59	1.30	.87	.80	1.51	1.77	.90
Ohio	.52	.46	.46	.49	.50	.94	.71	1.12	.85	1.61	.77
Orange	.47	.38	.41	.48	1.30	1.25	1.22	1.29	....	....	.68
Owen	.57	.50	.57	.59	1.50	1.45	1.26	1.29	3.50	9.94	2.12

TABLE 16 - Continued

Counties	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933	Average
Parke	.86	.85	.86	.95	.66	1.29	1.43	1.31	3.15	4.96	1.63
Perry	.47	.41	.44	.50	.50	2.09	1.93	5.05	....	....	1.14
Pike	.57	.54	.55	.65	.58	1.07	.97	.83	2.64	3.92	1.23
Porter	.53	.60	.54	.62	.46	.94	.89	.56	.81	.93	.69
Posey	.49	.46	.34	.49	.41	1.01	.59	.61	1.53	1.39	.73
Pulaski	.68	.72	.64	.57	.54	.80	.80	.80	1.80	2.13	.95
Putnam	.58	.64	.66	.73	.54	1.08	1.01	.95	7.59	1.15	1.49
Randolph	.64	.65	.69	.68	.58	1.15	.89	1.00	2.90	1.27	1.05
Ripley	.47	.47	.51	.47	.44	.71	.73	.98	1.89	4.36	1.10
Rush	.66	.59	.58	.43	.36	.83	1.35	1.27	2.15	1.51	.97
St. Joseph	.71	.78	.78	.72	.54	.87	.92	.80	1.15	.79	.81
Scott	.61	.63	.66	.52	.49	.94	1.27	1.30	6.46	....	1.29
Shelby	.58	.68	.58	.69	.51	1.09	1.29	.89	2.55	1.00	.99
Spencer	.49	.48	.46	.53	.51	.85	1.89	1.64	....	....	.69
Starke	.78	.84	.73	.74	.62	.74	.69	.95	1.19	3.65	1.09
Steuben	.68	.65	.57	.60	.53	.82	.56	.75	1.64	....	.68
Sullivan	.67	.63	.63	.66	.57	.91	1.10	1.03	....	2.31	.85
Switzerland	.61	.45	.59	.54	.53	1.18	1.24	1.05	2.07	....	.83
Tippecanoe	.65	.66	.65	.82	.73	1.62	1.27	.92	1.64	1.32	1.03
Tipton	.81	.91	.79	.65	.72	1.77	1.78	1.34	10.73	2.43	2.19
Union	.85	.71	.90	.98	.74	.88	1.09	.95	1.77	1.64	1.05
Vanderburgh	.49	.50	.51	.53	.51	.59	.64	.58	.74	.51	.56
Vermillion	.83	.67	.71	.83	.73	1.10	1.22	1.10	1.55	1.66	1.04
Vigo	.63	.66	.54	.59	.48	1.84	1.11	.98	1.75	1.10	.97
Wabash	.59	.58	.57	.68	.60	1.19	1.25	1.11	2.95	1.09	1.06
Warren	.44	.39	.46	.55	.62	.93	1.09	.77	1.58	1.07	.79
Warrick	.51	.52	.58	.49	.59	.78	.93	.96	....	8.04	1.34
Washington	.49	.49	.49	.48	.40	.92	1.34	1.67	....	6.57	1.29
Wayne	.87	.83	.71	.78	.62	1.05	.84	.86	2.01	1.74	1.03
Wells	.85	.83	.88	.93	.67	1.29	1.10	1.29	2.94	2.18	1.30
White	.54	.56	.58	.61	.59	.75	.76	.91	3.41	1.08	.98
Whitley	.46	.42	.46	.47	.45	.71	1.08	.88	2.06	1.65	.86
Average	.61	.60	.60	.65	.57	1.18	1.19	1.14	3.61	3.08	1.32

economic adjustment, the greater variation of the ratios in Table 16 is not entirely unexpected. The most significant feature of these tables is the constant increase in the ratios.

The Legislative Assembly of 1933, recognizing the difference in ability of the local units to support government and realizing the constancy and universality of the demands for school expenditures, attempted a revision of the taxing system of the state in an effort to correct these obvious inconsistencies.

Summary

The schools of Indiana are supported by both the state government and the local school units. The revenue supplied by the state government is gathered from the Congressional Township Fund, the Public Permanent Common School Fund and by direct levies on the general property of the state. The local school units furnish their share of the revenue for school purposes by direct levies on the general property of the local units.

The Congressional Township Fund was accumulated by the sale of the sixteenth section of land in each congressional township. The Public Permanent Common School Fund was created by summing the Surplus Revenue Fund, the Bank Tax Fund, the Saline Land Fund, the County Seminary Fund, the Swamp Land Fund, the Sinking Fund and the Hydrophobia Fund. Certain additions have been made to the Public Permanent Common School Fund by the sale of State School Lands, Michigan Road Lands, Coroner's Find of Property and Estrays and Articles Adrift. Another lucrative source of revenue in recent years has been Veterinarian Board Excess Fees, Optometry Surplus Fees, Transient Merchants' Licenses, Exhibition Licenses and Fees, Fines and Forfeitures.

The State Auditor is the custodian of these funds. The State Auditor apportions the funds among the various county auditors. The county auditors loan the money to the citizens of their respective counties, accepting as security first mortgages on the real estate held by the borrowers. Each county is charged five per cent on the total amount of money received from the State Auditor.

The state levy, until 1905, was added to the returns from the school funds and distributed to the local school units on the basis of school enumeration. After 1905 the levy was divided into

two parts: one part was distributed on the basis of enumeration and the other on the basis of need. From 1905 until 1933 the portion distributed on the basis of need varied from 5.2 per cent to 45 per cent. The legislature of 1933 took the entire state levy of seven cents and provided that the revenue be distributed to the poorer school districts of the state on the basis of need. The state at first granted aid only for teachers' salaries but gradually these allowances were extended until at present aid is granted for all expenditures except capital outlay.

Expenditures for school purposes have grown rapidly in the state. In 1899 the legislature established a minimum school term of six months. This was later extended to eight months and permission given to those units so desiring to extend the term to any length desired. A compulsory attendance law was enacted in 1907. The same session passed a teachers' minimum wage law which was further amended in 1920. During this period there was a marked tendency toward consolidation of the small rural schools. The consolidation movement caused the erection of many new school buildings. The building program was responsible for an enormous increase in capital outlay with the accompanying bonded debt. These unusual expenditures were being made or contracted during the period when population and wealth were becoming localized in certain sections of the state.

The variation in the ratios of assessed valuation to total population for the local units of five Indiana Counties as compared to the variations in the same ratios for the counties themselves is found to be much less as the size of the unit is increased. The coefficient of variation is 77 per cent for the local units as compared to 38 per cent for the counties. The rural governmental units show a much greater loss in per capita wealth than the urban units of government.

The variation in the ratios of taxes gathered to total population is much greater when the local units are used for purposes of computation than when the counties are used. The coefficient of variation for the local units is 47.05 per cent while that for the counties is only 23.35 per cent.

The variability in per capita tax collections during this period is expressed as a percentage of the mean. The greatest fluctuations in per capita tax collections are observed in the rural units of government.

The ratio of taxes gathered to assessed valuation is an indication of effort expended by any particular unit in the support of government. The rate at which the general property tax is levied by these particular governmental units tends to vary inversely with the wealth. The per capita wealth and per capita tax charts show a rapid reduction in the ratios during the years of 1931, 1932 and 1933, but there is no corresponding reduction in the ratios of taxes gathered to assessed valuation. The range of variation in this ratio for the local units is .034 as compared to .024 for the counties.

The ratio of general property tax levied for school purposes to general property tax levied for civil purposes expresses the school tax as a percentage of the civil tax. The ratios show less retrenchment in school than in civil expenditures during the last five years considered. It is also evident that the wealthier units use a smaller relative portion of the tax money for schools than the poorer units. The schools demand a fairly constant expenditure of tax moneys while the civil expenditures are likely to vary more markedly under changing economic conditions.

CHAPTER V

EFFECTS OF NEW TAX LEGISLATION OF 1933

The General Property Tax

The General Property Tax, as previously mentioned, is an old institution and through its continued use for the past century certain refinements of operation and fundamental knowledge of general property and its revenue-producing capacity have accrued to the people. The fact that property is given a value and is then expected to produce certain returns for the state creates a fundamentally sound economic condition. Property should be productive and the General Property Tax is based on this assumption.[1] It is only when the units for the purposes of taxation are small that significant differences in per capita wealth and tax rates appear.[2] The sharp decline in assessed valuation that appeared in 1932 along with the variation in ability of the local units to support government made it necessary for the state either to provide for these governmental functions or to witness the curtailment and perhaps discontinuance of a number of governmental activities. Those local units of government possessed of little wealth may be cared for by the state in several ways. Perhaps one of the most efficient and satisfactory methods for remedying these variations in ability of the local units to support government is for the state to designate itself as the unit of government for purposes of taxation for those governmental activities that are of state significance. This necessitates the collection and distribution of rather large sums of money by the state.

The state then becomes the unit for determining the assessed valuations of property as well as the rate. The fixing of assessed valuations is of the utmost importance where the General

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[1]Indiana Year Book, Report of State Board of Tax Commissioners, p. 141. Indianapolis: Wm. B. Burford, 1918.

[2]Ibid., p. 142.

Property Tax is one of the principal revenue-producing agencies of the state. The appraiser should be a thoroughly trained and competent person. Indiana, at present, uses state appraisers for most domestic and all foreign corporations operating within the state.[1] Doubtless much inequality of appraisals and positive injury to many private individuals could be corrected by the classification of property and the employment of experts by the state to make the appraisals.[2]

The sum total of the estimated annual expenditures of the local units and of the state should be used as the numerator, and the total assessed valuation of the state should be used as the denominator in determining the tax rate.[3] This method of establishing the rate of the tax and the assessed valuation of the property is economically sound in that no particular locality is penalized or rewarded by its financial condition.[4]

The Minimum Program

The state finds it necessary to set up standards for government services when it takes over the responsibility of financing them. In most cases, the standards set up by the state become known as minimum standards. Each local unit of government provides the service, at least at the degree of efficiency that the state has defined as a minimum standard. In most cases there is legislation permitting the local unit to maintain a higher standard than that set by the state. The minimum standards as set up by statute or by commission usually comprise the average practice of the state in that particular rather than the practice of any particular community.[5] It is perhaps desirable that such governmental services as education should be organized in terms of

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[1] Burns Revised Statutes, 1926, par. 14137.

[2] Gafill v. Bracken, 145 N.E. 313.

[2] Clark v. Vandalia R. R. Co., 172 Ind. 409.

[3] Burns Revised Statutes, 1926, par. 14032.

[4] Indiana Year Book, Report of State Board of Tax Commissioners, p. 141. Indianapolis: Wm. B. Burford, 1918.

[5] Paul R. Mort, State Support for Public Schools, p. 13. New York: Bureau of Publications, Teachers College, Columbia University, 1926.

community interest and activity.

The state, in setting up the average practice of the local units as minimum standards for a state program, moves the minimum for the state up to the average for the former local units, thus creating a new minimum and average for the state. It would be necessary, in a changing social order, to continually revise the minimum standards in terms of the discoveries and growth in the services rendered. The administration of such governmental enterprise should be placed under the direction of thoroughly trained and competent men whose vision and perspective are such that they are able to perceive the future economic and cultural implications of the program they propose both for their community and the state.

In Indiana there are one hundred and eighty-two cities and towns as well as one thousand and sixteen townships that maintain schools. Enough corporations are represented in this group that the cost to the average corporation should be a fair representation of the ability of the state as a whole to support schools.

Revenue Distributed on Basis of Need

The revenues should be distributed to the local units of government on the basis of need. There is some thought to the effect that need may be determined by the regression equation that may be computed between local units classified as to size and the number of officials employed in any particular service by these units.[1] These equations could, of course, be computed for each government service. They would represent the moving average for the various communities. This method of determining need is in reality based on population. It is one of the axioms of government that its chief concern is with people. Since people are the chief concern of all types of governmental activity, they are also a factor in the determination of need on which to apportion revenue. The population of the state is divided roughly into two different classes according to its density. The urban population is able to purchase more of any particular governmental service at a specified price than the rural population. Disbursements to the rural units of government, while being made on the basis of population, should be made at a different rate from the disbursements made to large

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[1] Ibid., p. 51.

towns and cities. The problem of transportation in the sparsely settled community is the greatest expense to which such a community is subjected; the more densely populated areas are not forced to meet this problem. The average per capita cost of any particular governmental activity for these different population groups is pertinent in any computation by the state for the purpose of apportioning revenue. There are certain local conditions, such as living costs, character of transportation, climate and geographical formations that will tend to cause wide variations in per capita cost of government. However, if all budgets were prepared by local officials, subject to review and change by the county and state tax boards, wanton and excessive use of tax monies could be eliminated and excessive variations in governmental service and costs entirely removed.[1]

The Gross Income Tax Act of 1933

The Gross Income Tax Act of 1933, as adopted by the Indiana General Assembly, approximated the plan as described above, both as to the method of levying the tax and distributing the revenues. It was necessary that the legislature frame a tax act that was compatible with the constitution, and which would, at the same time, place the tax burden on the income-earning public. The act places the responsibility for the collection and disbursement of all revenues directly upon the state government.

The act places a tax upon the gross receipts of individuals, corporations, and all other legal entities. An exception of one thousand dollars is granted each of the above classes, after which a tax of one-fourth of one per cent is levied on all wholesale returns. A tax of one per cent is levied on all retail sales as well as all other income, regardless of its character or source. The Gross Income Tax Division, under the Department of Treasury, is made responsible for the collection of the tax. Each taxpayer prepares a statement of his annual income on a form furnished by the division and mails both the form and tax directly to the division.

The returns from the tax accrue to the state general fund.

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[1]Philip Zoercher, The Indiana Plan of Controlling Expenditures, p. 4. Indianapolis: Issued by State Board of Tax Commissioners, 1931.

The Acts of 1933, Chapter 96, provide that upon the order of the State Board of Finance, the Auditor of State shall transfer from the general fund of the state to the common school revenue fund, such amount of money as may be available for the respective school corporations of the state. The sum so transferred shall be limited in amount, each year, so as not to exceed six hundred dollars for every teacher in the state who is employed in the grades from one to twelve, inclusive. One half shall be transferred on the first day of January and the other half on the first day of July. The State Board of Finance has distributed semi-annually, sums ranging from two hundred dollars to two hundred and twelve dollars per teacher. The revenues accruing to the state under the Gross Income Act would permit the distribution of six hundred dollars per teacher, but the State Board of Finance has found it necessary to use these revenues for civil purposes.

The fact that the state is the base for both the collection and distribution of the Gross Income Tax, insures, in so far as this act is concerned, an equalization of the tax burden as well as an equalization of educational and civil services. The revenue accruing under the Gross Income Act that is used for school purposes is distributed on the basis of teaching units. A teaching unit is defined under the act as an average daily attendance of thirty-five, from grades one to eight, and an average daily attendance of twenty-five from grades nine to twelve.

Effects of Gross Income Tax on Tax Base

In 1910, Judge Timothy E. Howard, author of the tax law of 1891, speaking before the tenth annual conference of the State Board of Tax Commissioners and County Assessors of Indiana, discussed the conditions in 1891 in the following manner:

> At the time of the enactment of the law of 1891, our financial system had almost reached the point of breaking down under the weight of its own cumbersome disorganization and general inefficiency. The counties were at war with one another, each seeking, by under-valuation of its property, to escape from its own just share of the public burdens.[1]

The Honorable John W. Kern, in addressing the annual conference in 1911, said:

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[1] Proceedings of the Tenth Annual Conference State Board of Tax Comissioners and County Assessors of Indiana, p. 33. Indianapolis: Wm. B. Burford, 1910.

> It is a matter known of all men and discussed in every part of Indiana, that a large part of the property of this state is, today, escaping taxation. It is on account of the inequalities of taxation that people complain, and this problem how to regulate that inequality, this problem as to how to make the wealth of the country and of the state bear its due share of the public burdens, is one of the greatest and most interesting problems now before the public.[1]

Governor Ralston in his message to the State Legislature in 1917, said:

> If all property were assessed on the same basis, as the law contemplates it should be, the tax rate would be fixed so low that the taxpayer would not fail to list his property for taxation regardless of its character.[2]

The opinion of the officials engaged in the levying and collection of taxes, taken over a period of forty years, is to the effect that rather large amounts of property as well as income were escaping taxes entirely. The visible property such as real estate and tangibles, was forced to carry the tax burden. An attitude had developed on the part of a large number of taxpayers that a man's sagacity was measured by his ability to conceal his wealth from the assessor. This condition was understood by the officials as well as the taxpayers, but nothing was done to correct the evil. The economic reward seemed to accrue entirely to the tax evader and the economic penalty to the tax payer. The economic conditions prerequisite to a sound fiscal system for the state and local governments were reversed.

The legislature of 1933 argued that the Gross Income Act would reach certain income that previously had paid little or no tax whatever.[3] The individual who earned an income of twenty-five hundred dollars but had no real estate had, previous to the passage of the 1933 tax legislation, practically escaped taxation. This condition maintained particularly in the urban areas. The economic status of the urban family of average income was better in the leased than in the owned homes. The State Board of Tax Commissioners in their report of 1934 mentions the broadening of the tax

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[1] Proceedings of the Eleventh Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 50. Indianapolis: Wm. B. Burford, 1911.

[2] Indiana Year Book, Report of State Board of Tax Commissioners, p. 860. Indianapolis: Wm. B. Burford, 1926.

[3] Proceedings of the Thirty-Third Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 60. Indianapolis: Wm. B. Burford, 1933.

base. The commission feels that the tax acts of 1933 have tapped new sources of revenue.[1]

In order that the tax base be broadened, one of two things must happen: either the tax must add new taxpayers to the tax duplicates, or there must be a shift in the relative amounts paid by the old taxpayers. It is estimated by the director of the Gross Income Tax Division that this act has added two hundred thousand more taxpayers to the tax duplicates.[2] The tax must be of such character that it does not permit of shifting, otherwise the additional taxpayers may be tax collectors rather than taxpayers. The gasoline excise used so extensively by the various states amounts, in the end, to constituting the oil companies collecting agencies for a portion of the tax revenue. The second alternative is pertinent and merits further consideration. The tax paid by each taxpayer under the General Property Tax, as compared to the tax paid under the Gross Income Act, furnishes a basis for comparison, while the relative position of the taxpayer on the two scales affects the broadening of the tax bases. This particular type of analysis on the basis of individual tax payers involves data too extensive for this study, but the comparison has been made on the basis of counties. The variations in counties as to real estate, railroad, corporate and personal values are comparable to the variations among individuals. The counties range from urban areas, such as Marion and Vanderburg, to rural areas, such as Boone and Hendricks counties. It would appear that the Gross Income Act, to fulfill the expectations of the legislative assembly, should bear more heavily upon the urban than the rural areas. It is found, however, that the returns from the Gross Income Tax for the urban areas remain in practically the same relative position as the returns from the General Property Tax. The correlation between the Gross Income Tax returns and the General Property Tax returns, for the year 1933-34, was found to be $.960 \pm .006$. This coefficient is an abstract measure of the degree of relationship between the two taxes, in so far as this relationship may be described by a straight line. The straight line fitted to the data by the method

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[1] Indiana Year Book, Report of the State Board of Tax Commissioners, p. 351. Indianapolis: Wm. B. Burford, 1934.

[2] Proceedings of the Thirty-Third Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 60. Indianapolis: Wm. B. Burford, 1933.

of least squares would prove a fairly reliable instrument for predicting the tax under the Gross Income Act, where the General Property Tax is known. This is evidence that income has a very close relation to property, as indicated by tax revenues produced by existing tax laws in this state, and that the two taxes bear with about equal severity on all the counties. When the county is used as the unit for purposes of comparison, the shift in the tax base is too small to be of any practical significance.

The General Intangibles Act of 1933

The state, in attempting to place the intangibles of the state on the tax duplicates, enacted three separate statutes. The first is entitled, The General Intangibles Act of 1933; the second, The Building and Loan Association Act of 1933 and the third, The Bank and Savings Bank Act of 1933. The necessity for such legislation is explained in The Report of the State Board of Tax Commissioners for the Fiscal Year of 1933-34.

> Ever since the legislative session of 1919 some of us have felt that some method ought to be adopted in Indiana which would enable the state to collect taxes on the intangible wealth of the state. Every state in the Union that has attempted to collect taxes on intangible wealth the same as on tangible property has made the same failure that we have had in Indiana.[1]

The tax laws had provided for the collection of taxes on intangible wealth previous to the acts of 1933, but the taxing officials had met with little success in administering these laws.

> Under our law prior to the 1933 legislative session every citizen was required. . . . to list all his intangible property and to each such return the affidavit of the taxpayer was attached stating that he had listed all his intangible wealth. Fully 95 per cent of the taxpayers owning intangible property heretofore have failed to report the same and thus have made false returns.[2]

The Intangibles Acts of 1933 succeeded in placing four hundred million dollars on the tax duplicates. Previous to the passage of the Intangibles Acts of 1933, there had been fifty million

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[1]Indiana Year Book, Report of State Board of Tax Commissioners, p. 351. Indianapolis: Wm. B. Burford, 1934.

[2]Ibid., p. 351.

dollars of intangibles on the tax duplicates of the state.[1]

As a revenue producing agency, the Intangibles Acts of 1933 are not as effective as the General Property Tax which they replaced. The average tax rate in the State of Indiana for the year of 1930, according to Table 14, was .030. Fifty million dollars at a rate of .030 will produce one and one-half million dollars revenue while four hundred million dollars at .0025 will produce one million dollars of revenue. The Intangibles Acts of 1933 are regarded by some taxing officials as having for their immediate purpose the uncovering of the hidden intangibles of the state, in order that the data may be used in enacting more equitable tax laws for the future. The following quotation expresses this point of view.

> Even with certain imperfections in the law admitted, it still remains gratifying to the property holder to know that more than $400,000,000 in intangibles are on the tax duplicates as a result of this law. It is the opinion of many that the existing law is but a feeler of the public tax pulse for guidance of future legislatures in bringing about a more equitable relation in the taxes borne by tangible and intangible property.[2]

Distribution of Revenues Produced by the Intangibles Acts

The Bank and Savings Bank Act of 1933 provides that the banking institution pay one-fourth of one per cent on all deposits, capital stock, surplus and undivided profits less any real estate holdings. The bank may elect to pay the tax on these intangibles or by not electing to do so may pass the burden to the owners. The banks in Indiana have elected to pay the tax. The act further provides that such taxes shall be apportioned, credited and paid by the treasurer for the benefit of the state, county and local taxing unit, wherein such bank or trust company is located, in the same manner as taxes from real estate are apportioned and credited by such treasurer in the taxing unit wherein such bank or trust company is located.[3]

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[1] Proceedings of the Thirty-Third Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 32. Indianapolis: Wm. B. Burford, 1933.

[2] Ibid., p. 33.

[3] The Indiana Intangibles Tax Acts, sec. 15, p. 17. State Board of Tax Commissioners, 1933.

The Building and Loan Association Act of 1933 provides for the levying of a tax of one-fourth of one per cent on each one hundred dollars of the paid in value of its shares of capital stock and surplus, after deducting the book value of all real estate, tangible personal property, sheriff's certificates and loans secured by pledges of capital stock of the association. The tax is to be paid to the county treasurer for the benefit of the state, county and local taxing units. The act further specifies that the revenue accruing to the county treasurers, under this act, be distributed in the same manner and in the same proportion as taxes from real estate are apportioned and credited by such treasurer in the taxing unit where the principal office of the association is located.

The General Intangibles Act of 1933 defines intangibles and provides that a tax of one-fourth of one per cent be levied on all such property. A penalty of four times the tax is inflicted on all persons who fail to comply with the law. The General Intangibles Act makes the following provisions for the distribution of the revenue.

> Of the revenues collected under the provisions of this act the costs and expenses of preparation and distribution of stamps shall be paid. The state shall retain in its general fund ten per cent of the net proceeds so collected. The remaining moneys shall be distributed and paid to the treasurers of the several counties in the proportion that the assessed valuation of the real property of each county bears to the aggregate assessed valuation of the real property of the state. Of the moneys so distributed to the respective county treasurers, (a) twenty-five per cent shall be paid into the general fund of the county and (b) the remaining seventy-five per cent shall be apportioned, credited and paid to the school funds of the respective township, city and town taxing units of said county in the proportion that the assessed valuation of the real property of each taxing unit bears to the aggregate assessed valuation of the real property of the county.[1]

The act sets aside sixty-seven and one-half per cent of the net revenue for the use of the public schools. This percentage of the revenue accruing under the Intangibles Act is distributed to the school units on the basis of the General Property Tax assessments. There is no attempt at equalizing the tax burden through the enlargement of the tax units. The legislature seems to have had in mind the placing of the intangibles on the tax duplicates of the local tax units as its principal objective rather than the

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[1] Ibid., sec. 22, p. 15.

equalization of the tax burden.

Effects of the Intangibles Tax Acts of 1933 on the Tax Base

The broadening of the tax base through the passage of the Intangibles Tax Acts of 1933 could be effected either through the addition of new taxpayers to the tax duplicates of the state or by shifting the relative amounts paid by the former taxpayers. The intangible wealth of the state in 1933, as shown by the tax duplicates, was fifty million dollars. In 1934, the first year the Intangibles Tax Acts of 1933 were operative, the intangible wealth reported was increased from the previous figure of fifty million to four hundred million dollars, and the 1935 returns showed that it had increased to six hundred million dollars.[1] This increase in intangible wealth that finds its way to the tax duplicates undoubtedly adds some new names to the lists of taxpayers. The addition of new names to the lists of taxpayers is a very effective means of discovering new sources of revenue. It is probable, however, that the General Property Tax, even though poorly administered, had on its tax lists the majority of all the individuals of the state that could be reached by any further tax measure. Under a taxing system where everyone is a taxpayer, any new tax legislation that has for its purpose the broadening of the tax base must of necessity make some shift in the relative amounts paid by the old taxpayers, otherwise the new tax is equivalent, in the end, to a raise in the rates under the old taxing system.

Records are not readily available for a comparison of the tax returns of each individual in the state. The comparison made in this study is based on the counties. The variation in average per capita wealth among the counties, as shown by the General Property Tax assessments in Table 8, ranges from $3475.70 in Benton County to $472.74 in Crawford County.

The variation in average per capita wealth among the counties, while not nearly so great as individual variations, is sufficient for purposes of comparison. The correlation between taxes collected under the General Property Tax and the Intangible Tax Acts of 1933 was found to be $.966 \pm .005$. Where the General

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[1] Proceedings of the Thirty-Fifth Annual Conference State Board of Tax Commissioners and County Assessors of Indiana, p. 5. Fort Wayne: Fort Wayne Printing Co., 1936.

Property Tax returns for a particular county are known, the Intangibles returns under the present laws could be estimated with a high degree of reliability by the equation fitted to the data by the method of least squares.

The correlation between the tax returns from the Gross Income Act and the Intangibles Act was found to be $.968 \pm .005$. It is evident that where either the General Property or Gross Income Tax returns are known, a rather reliable estimate of the returns from the Intangibles Tax could be made.

There is some thought to the effect that taxpaying ability does not vary directly with wealth but that with each additional wealth increment the taxpaying ability increases progressively. It is evident that in so far as counties are concerned, neither the Intangibles Acts of 1933 nor the Gross Income Act impose tax exactions in a progressive manner. These taxes seem to be of proportional revenue producing capacity and to bear with about the same weight on the counties as does the General Property Tax.

The Inheritance Tax Acts

The first inheritance tax law of Indiana was passed in 1913 (Chapter 47). The act was amended in 1915 (Chapter 116), 1917 (Chapter 118) and 1919 (Chapters 50 and 224). The act was again amended in 1921 (Chapter 275). This amendment provided a new table of rates and imposed a tax upon the transfer of intangible property of a non-resident decedent owning stocks in a domestic corporation. The 1929 legislature passed an entirely new statute which became effective March 9, 1929. This act was repealed by the 1931 legislature and a new inheritance tax law was enacted, which, because of an emergency provision, became effective March 6, 1931.

General Nature of the Inheritance Tax Act

The inheritance tax is imposed at progressive rates upon direct as well as collateral relatives and upon strangers. The estates of both resident and non-resident citizens are taxed upon the transfers of all real or personal property within the jurisdiction of the state.[1] In addition, the State Board of Tax Commis-

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[1] Inheritance Tax Law of Indiana, sec. 1, p. 7. State Board of Tax Commissioners, 1931.

sioners are charged with the imposition of an estate tax.[1] The 1931 act set up a new table of rates and a new classification of beneficiaries. Exemptions were provided for the different classes and a graduated tax imposed on each class, the rate increasing as the amount the beneficiary received increases.[2] The act designates three classes of beneficiaries, each class being determined by the degree of relationship of the beneficiary to the deceased. The rate at which the estate is taxed varies first as to class, and second as to amount. The Class A beneficiary pays from one per cent to ten per cent on that portion of the estate which is not exempted from the tax; the Class B beneficiary pays from five to fifteen per cent, while the Class C beneficiary pays from seven per cent to twenty per cent. The legislature of 1931 imposed an addititional inheritance tax which is termed an estate tax. The following quotation from the act defines the taxable estates and establishes the amount of the tax.

> An additional inheritance tax shall be and is hereby imposed upon all estates which are subject to an estate tax under the provisions of the United States revenue act of nineteen hundred and twenty-six where the decedent at the time of his decease was a resident of this state. The amount of said tax shall be the amount by which eighty per cent of the estate tax imposed by the United States government under the provisions of said revenue act of nineteen hundred and twenty-six exceeds the aggregate amount of all estate, inheritance, legacy, transfer and succession taxes actually paid to the several states of the United States or the District of Columbia in respect to any property in the estate, inheritance, estate or legacy of said decedent.[3]

The Inheritance Tax, when first imposed, was used for the construction and maintenance of highways; later the proceeds of the tax were diverted to the general fund of the state.

The Indiana Constitution contains no provisions pertaining to inheritance taxes. The Inheritance Tax Acts have been held constitutional both as to the property feature of the acts and as to the progressive rate provisions.[4]

Distribution of Revenue

The revenue collected under the Inheritance Tax Act finds

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[1] Ibid., sec. 38, p. 33. [2] Ibid., sec. 3, p. 11.

[3] Ibid., sec. 38, p. 33.

[4] Conway v. State (Armstrong v. State) (1919), 72 Ind. App. 303, 120 N.E. 717.

its way to the state general fund, where it is distributed on the orders of the State Board of Finance. This is the same method used in distributing revenues received under the Gross Income Act and, as pointed out earlier in this chapter, insures a more equitable collection and distribution of revenues than had prevailed under the General Property Tax as administered by the local units.

TABLE 17

CORRELATIONS OF THE INTANGIBLES, INHERITANCE, EXCISE, GROSS INCOME AND GENERAL PROPERTY TAXES IN INDIANA FOR THE YEAR 1933-1934

Taxes	General Property Tax	Intangibles Tax	Inheritance Tax	Income Tax
Intangibles Tax	.966 ± .005			
Inheritance Tax	.851 ± .020	.897 ± .015		
Gross Income Tax	.960 ± .006	.968 ± .005	.955 ± .007	
Excise Tax	.996 ± .001	.963 ± .006	.830 ± .022	.953 ± .007

Effects of the Inheritance Tax Acts of 1931 on the Tax Base

The variations found in the amount of revenue produced by the Inheritance Tax throughout the different counties as compared to the amounts of revenue produced by the General Property, Intangibles, Gross Income and Excise Taxes are of considerable significance. The correlation between the amounts of revenue produced by the Inheritance Tax and the General Property Tax by counties in the state of Indiana for the year 1933-34 was found to be .851 ± .020. It was found in relation to the other taxes discussed that the General Property Tax returns for a particular county when substituted in the equation describing the average line of relationship for the sets of data would prove a fairly reliable means of determining either the Gross Income or the Intangibles Tax for any particular county. The average line of relationship for the General Property - Inheritance Tax data, if used as a means of estimating the Inheritance Tax returns when the General Property Tax returns were known, would prove less reliable. The correlation

coefficients, as shown in Table 17, were found to be .897 ± .015 for inheritance intangible returns data and .955 ± .007 for inheritance gross income tax returns. The variation of the Inheritance Tax returns, when compared to the other four taxes, is sufficient to justify further comment.

One feature of the Inheritance Tax that distinguishes it from the other four taxes is the progressive rates. The rates increase progressively, first, with the amount of the inheritance of each individual and secondly, with the degree of remoteness of the heir. It is at once apparent that with each increment in wealth of an individual or a county there will be an even greater increment in the inheritance taxes. The lower correlation coefficient is evidence that the progressive rate feature of the act functions as intended by the legislature and that the Inheritance Tax is, in theory, more equitable than any of the other four taxes. Should there be some doubt as to the fundamental theory on which progressive rates rest in the matter of taxation, there is at least evidence that the Inheritance Tax produces revenue in the manner and in the proportion that the legislature had in mind.

It is possible that the Inheritance Tax Act of 1931 has added new names to the list of taxpayers, since it has been held that it is a tax on the right to inherit property rather than a tax on the property itself. The tax, however, seems to be on a particular type of transfer of property rather than on either the property or the right to inherit property. There is no tax on the right to inherit property unless the right is exercised; neither is there a tax on the transfer of property when transferred to a religious or fraternal organization. The Inheritance Tax amounts, in the end, to a tax on the estate of the deceased when transferred to a certain class of beneficiary. It is, in reality, a tax on property, since any estate is either tangible or intangible property. All property is taxed under the General Property and Intangibles Acts. Property taxed by the Inheritance Tax Act of 1931 is also levied upon under the General Property and Intangibles Acts. In this manner, considerable additional revenue is added to the state general fund, but the source is the same as that for the General Property and Intangible Taxes. There is considerable shifting of the relative amounts paid by the counties, as shown by the low correlation ratio. This is evidence that the Inheritance Tax Acts have functioned as the legislature intended, and to that extent it

may be said that the Inheritance Tax Acts of 1931 have broadened the tax base.

The Alcoholic Beverages Acts of 1933 and 1935

The first Alcoholic Beverage Act was approved on March 1, 1933, and became operative April 7, 1933. The second act was written and approved March 11, 1935, and, because of an emergency clause, the act became operative at that time.[1] These particular acts have regulated and controlled the manufacture, bottling, possession, transportation, importation, sale and delivery of alcoholic beverages since April 7, 1933. The revenue portion of the acts has operated in two ways: first, as an excise, and secondly, as a privilege tax. The first act placed an excise of five cents per gallon on beer, two cents per gallon on malt, twenty-five cents per pint on whiskey, and fifty cents per gallon on alcoholic vinous beverages. The 1935 act reduced the excise considerably; beer was taxed three and one-half cents per gallon, malt five cents per gallon, whiskey twelve and one-half cents per pint, and alcoholic vinous beverages were taxed twenty-five cents per gallon.[2]

The permits are classified under both acts as manufacturer, importer, wholesaler and retailer permits, and it is necessary to have a separate permit to trade in beer, malt, whiskey or alcoholic vinous beverages. The 1935 act further classified the retailers' permits on the basis of the number of inhabitants in the community served. The permits are classified as manufacturers', importers', wholesalers' and retailers' permits.[3] Separate permits are issued for the manufacturing, importing, wholesaling and retailing of beer, whiskey, wine, malt and industrial alcohol.[4]

Cost of Permits

These permits vary greatly as to cost. A retailers' permit to sell beer costs $100.00 to $200.00; a malt permit costs $5.00; a whiskey permit costs $450.00 to $1000.00; an alcoholic vinous beverage permit costs $25.00 to $50.00. A wholesalers' permit to

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[1] State of Indiana Alcoholic Beverages Act of 1935, sec. 45, p. 144, 1935.

[2] Ibid., sec. 40, p. 121. [3] Ibid., sec. 7, p. 27.

[4] Ibid., sec. 7, p. 29.

merchandise beer costs $1000.00; a malt permit costs $25.00; a whiskey permit costs $2000.00; an alcoholic vinous beverage permit costs $500.00. A manufacturers' permit to manufacture beer costs $2000.00; a malt permit costs $50.00; a distillers' permit costs $2000.00; an alcoholic vinous beverage permit costs $500.00. The importers' permits are issued for beer only and cost $1500.00. In addition to these permits there are permits issued for dining cars, boats and temporary permits for public gatherings. These permits are issued separately for beer, whiskey and wine. Industrial alcohol permits are issued to manufacturing chemists, ethyl alcohol manufacturers, registered pharmacists and the users of alcohol in industry. Special permits are issued to carriers and salesmen.[1]

Administration of Alcoholic Beverages Act of 1935

The act is administered by the Alcoholic Beverages Commission of the Department of Public Works.[2] This commission is composed of four members appointed by the governor of the state. In addition to the state commission, each county of the state has a local board of three members; one is a representative of the commission; one is appointed by the county commissioners and one by the mayor of the city in the county having the largest population.[3] Where there are two or more cities of more than 10,000 population, each such city may appoint a member of the local board who sits with the member appointed by the county commissioners and the member of the Alcoholic Beverages Commission for his particular city.[4] These local boards determine to whom permits shall be issued in their territory and who have violated their obligations to such an extent that their permits should be revoked.

Distribution of Revenue

All fines and penalties assessed under the Alcoholic Beverages Act accrue to the Public Permanent Common School Fund.[5] The revenues that accrue through the sale of retailers' and dealers'

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[1] Ibid., sections 8 to 30, inclusive, p. 29.

[2] Ibid., sec. 5, p. 11. [3] Ibid., sec. 6, p. 22.

[4] Ibid., sec. 6, p. 23. [5] Ibid., sec. 31, p. 98.

permits for beer, liquor and wines constitute what is termed, under the act, an excise fund. Two thirds of the excise fund is returned to the local civil units of government in the same proportion in which it is paid into the fund. One third is distributed to the common schools of the state, on the basis of average daily attendance. One half of that portion which is received by the common schools of the state is distributed on the first of June and the other half on the first of December. The 1933 act provided for the distribution of fifty per cent of the excise fund to the schools, but the 1935 act reduced this amount to thirty-three per cent. The remaining revenue collected under the Alcoholic Beverages Act accrues to the General Fund of the state. It is then distributed on the orders of the State Board of Finance.[1]

Effects of the Alcoholic Beverages Act of 1935 on the Tax Base

The Alcoholic Beverages Act doesn't add many new names to the tax duplicates. Both the excise and the privilege tax are of such character that they invite shifting of the tax. There is no doubt that both taxes are paid by the consumers of the various beverages. There is no reliable method of determining either the consumers or the relative amounts used by the various consumers. The effect on the tax base, from the point of view of the number of new taxpayers added, becomes indeterminate.

The correlation of the tax returns from the General Property Tax and the Excise Tax was found to be .996 ± .001. This is a high correlation coefficient and would indicate that in so far as counties are concerned the Excise and General Property Taxes bear with about the same severity on the counties. The correlation between the Intangible Tax returns and the Excise Tax returns was found to be .963 ± .006, while the correlation between the Gross Income Tax returns and the Excise Tax returns was found to be .953 ± .007. The last two correlation coefficients are fairly high. Where either the Intangibles, Gross Income or General Property Tax returns are known, the Excise Tax returns for a particular county could be predicted with a rather high degree of reliability by using the equation fitted to the data by the method of least squares.

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[1] Ibid., sec. 40, p. 127.

The General Property Tax was the principal source of revenue for both civil and school government before the passage of the new tax legislation by the 1933 legislature, with the exception of the inheritance tax. The tax revenues from the new tax acts mentioned above correlate rather highly with those from the General Property Tax, when the receipts from these taxes are compared on the basis of county units. The correlation between the Excise Tax returns and the Inheritance Tax returns was found to be .830 ± .022. This correlation, while significant, indicates that the Excise Tax returns would not prove very reliable as a means of predicting the Inheritance Tax returns. There is very little alteration in the rank of the counties as revenue producers under the General Property, Intangibles, Gross Income and Excise Taxes. When the counties are used as the units for comparative purposes, there has been very little shifting in the position of the various counties as revenue producers under the four taxes; however, there is considerable shifting of position as to relative amounts of tax paid when the Inheritance Tax is used as a basis for comparison.

The Distribution of the Tax Revenue to the Schools

The distribution of tax revenue by the state is perhaps of as much significance as the method or means of collection. The collection of tax revenue by the state under equitable statutes that levy the taxes in direct proportion to the ability of the taxpayers eliminates the variations in the tax burden caused by the local units of government attempting to finance schools and certain civil governmental functions locally. The Gross Income Tax, Intangibles Tax, Inheritance Tax and Excise Tax Acts are levied and collected for the entire state at the same rate. The tax rate on general property in Indiana during the ten year period of 1924 to 1933, inclusive, has varied inversely with the ability of the taxing units, as measured by assessed valuation. Where the state is made the unit for the purpose of tax levied there is no longer a question of tax inequalities. The new taxes mentioned above are collected in this manner. The distribution of the new taxes, as well as that portion of the General Property Tax levied by the state, is accomplished in the manner described in the third chapter.

The portion of the tax revenues mentioned in Chapter III that is distributed to the poorer local units for school purposes when their total expenditures are in excess of the funds raised by a fixed tax rate, could, when used in conjunction with another method of distribution, lead to an unjust tax situation. The sum of all revenues distributed by the state, to the counties, for school purposes, when correlated with the revenue raised by the General Property Tax by counties for all governmental purposes, gives a correlation coefficient of .957 ± .005. This coefficient is somewhat less than the coefficients found between General Property and Gross Income, General Property and Intangibles, and General Property and Excise. The correlation is large enough that the line of average relationship would be fairly accurate when used as a means for predicting the revenue to be distributed by the state when the General Property Tax was known. The revenue distributed by the state to the poorer local units only and known as state school relief is not sufficient in quantity to seriously affect the correlation. The correlations are made with General Property Taxes paid rather than with assessed valuations. Assessed valuations vary more than taxes paid, as shown by the tables in the appendix. The taxes paid columns perhaps approximate ability for the various counties more nearly than assessed valuations since there is no reward to be gained by coloring these statistics.

There is evidence that both the collection and distribution of revenue by the state tend to equalize the burden of taxation; however, when the state uses a combination of both state and local units for purposes of collection and distribution of revenue, a very careful analysis is necessary to avoid possible discrimination against the richer as well as the poorer units of the state.

Summary

Through the use of the General Property Tax for the past century, perhaps a more thorough and fundamental knowledge of both the good and bad qualities of this tax have accrued to administrative officials and to the people of the state than of any other type of taxing program. This extensive information, accumulated by actual experience, should be used by the legislature in setting up a taxing program for the state.

The Gross Income, Intangibles, Inheritance and Excise Taxes

are levied and collected by the state. The General Property Tax is levied and collected by the state, counties, townships, cities, towns and various taxing districts. The state, by adopting minimum standards for all governmental enterprises of state interest and financing these enterprises by increasing the levies on general property to supplement the revenue produced by the new taxes, could practically eliminate the variations in the General Property Tax. The local units of government could exceed such standards, at their own discretion. These standards could be established for civil government as well as for the operation and maintenance of schools.

The Gross Income Tax Act of 1933 places a tax upon the gross receipts of individuals, corporations, and all other legal entities. The purpose of the act was to discover sources of revenue other than general property. The broadening of the tax base could be accomplished by the addition of new taxpayers to the tax duplicates or by shifting the amounts paid by the old taxpayers. There is considerable doubt as to the addition of many new taxpayers to the tax duplicates by the Gross Income Act, since the General Property and Poll Tax Acts had placed every male on the tax duplicates who had reached the age of twenty-one years. There is, however, the possibility that a small taxpayer under the General Property Tax would become a large taxpayer under the Gross Income, Intangibles, Excise or Inheritance Tax Acts. The smallest governmental units for which data are obtainable for all the taxes are the counties. The correlation between General Property Tax returns and Gross Income Tax returns by counties for the year 1933-34 was found to be $.960 \pm .006$. A perfect correlation would indicate that in so far as the counties were concerned, there was no shifting in the relative contributions under the two taxes. This correlation is not unusually high for economic data. There is evidence, however, that income and property are closely related and that the two taxes as specified in the Indiana laws bear with about equal severity on all the counties.

The General Intangibles Act of 1933 represents an effort on the part of the legislature to place the intangibles of the state on the tax duplicates. It was the opinion of the legislature that this type of property very largely escaped taxation.

The returns under the Intangibles Tax Act of 1933 when correlated with the returns from the General Property Tax by counties give a correlation coefficient of $.966 \pm .005$. The correlation with

the Gross Income Tax returns was found to be .968 ± .005. Neither of these correlation coefficients is unusually high for economic data, however, where the General Property Tax is known, either of the other two taxes could be predicted with considerable reliability by using the equation fitted to the data by the method of least squares.

The Inheritance Tax is imposed at progressive rates upon property passing to direct heirs as well as upon collateral relatives and strangers. The correlation of the Inheritance Tax returns with General Property Tax returns by counties for the year 1933-34 was found to be .851 ± .020, with Intangible Tax returns, .897 ± .015, with Gross Income .955 ± .007, and with Excise .830 ± .022. These correlations are quite low for this type of data and indicate that this particular tax bears more heavily on the wealthy counties.

The Alcoholic Beverages Acts of 1933 and 1935 regulate and control the manufacture, bottling, possession, transportation, importation, sale and delivery of alcoholic beverages. The correlation of the returns from the Alcoholic Beverages Act for 1933-34 by counties with General Property Tax returns was .996 ± .001, with the Intangibles Tax returns .963 ± .006, with the Inheritance Tax returns .830 ± .022, and with the Gross Income Tax returns .953 ± .007. These correlations, with the exception of the Inheritance Tax, are fairly high. There is positive evidence that in so far as the counties are concerned, the General Property Tax, the Gross Income Tax, the Intangibles Tax and the Excise Tax bear with about equal severity on all the counties both rich and poor, but that the Inheritance Tax is of such a nature that the greater portion is borne by the wealthy counties.

The State of Indiana makes practically no attempt to finance the local units of civil government. The revenue distributed by the state for school purposes for the year 1933-34 when correlated with the General Property Tax gives a correlation coefficient of .957 ± .005. The sum used for state aid to poorer counties is so small that the effect on the correlation coefficient is almost negligible.

CHAPTER VI

SUMMARY AND CONCLUSIONS

Early Methods of Taxation

The first period of taxation in Indiana comprises that period from the first settlement at Vincennes down to the tax legislation in 1840. During this period taxes were gathered first in the form of voluntary contributions, secondly as 'impressments' and finally by direct levies on property and privilege. Knox County was organized June 20, 1790. The county included all of Indiana and a large part of Wisconsin, Illinois, Ohio and Michigan. This was the first organized government in this territory. A petition was addressed to Governor St. Clair by the citizens of Vincennes, protesting the high taxes of the times. In 1795 Governor St. Clair, in conjunction with two judges of the Northwest Territory, drew up the Maxwell Code. The code set up a certain type of county government and provided for levies on polls and property. In 1801 the territorial legislature, meeting in Cincinnati, Ohio, levied a tax on land. Under this act land was divided into three classes. In 1813 the territorial legislature codified the tax laws, reclassified land and placed definite taxes on specific types of property such as servants, retail stores and ferries.

Indiana was admitted to the Union April 19, 1816. The national government granted certain lands to the new state to be used for schools and the building of roads. The new state used the same scheme for the assessment of property and collection of taxes that had been used by the territory. A theory of taxation had developed during the colonial period that any tax should be submitted to the will of the electorate. There were numerous citizens during this period who objected to paying any taxes whatever. However, democratic thought was prevalent in the new territory and evidence of this is the new thought found in the statutes enacted in 1835 and 1840. Critical thought in the field of taxation during this period pointed out the impossibility of having as many classes of property as there were kinds of property. Some of the more capable students

agreed that the property should be valued at a fair cash value and subjected to uniform rates of taxation.

In 1835 the General Assembly of the State of Indiana passed such an act. This shift from the classification of land to the procedure of establishing a just and actual value for all property is the most constructive tax reform of the nineteenth century.

Taxation in Indiana from 1840 to 1913

Land was the principal item of wealth in the new state. The procedure of levying taxes on the actual worth of the land was perhaps as close an approximation to the actual ability of the individual taxpayer as could have been devised at that time. Indiana began an internal improvement program in 1828 that by the year 1840 had the state hopelessly in debt, the state's credit impaired and the tax income shrinking annually. The pertinent need for revenue to meet these deficiencies was the immediate cause for the legislation of 1835. The legislature in 1840 revised the 1835 acts. Seven laws were enacted that completely revised the system of taxation. The Acts of 1840 were virtually followed until 1933. There were revisions and additions during this period, designed to facilitate the operation of the tax laws, but the theory of taxes under which the statutes operated remained the same.

The state elected delegates on August 5, 1850, to a constitutional convention. These delegates framed a new constitution that became effective November 1, 1851. The new constitution declared there should be 'uniform and equal rates of assessment and taxation.' This provision has precluded the possibility of any tax legislation in which graduated or progressive rates were given consideration, except the inheritance tax. The supreme court has held that the inheritance tax is not a tax on property but a tax on the right to inherit property. According to this interpretation there is no conflict with the constitutional provision relating to uniform and equal rates of assessment. Following the Constitutional Convention of 1851, the legislature in 1852 provided for boards of equalization in the counties, congressional districts and the state.

The state grew very rapidly both in wealth and population during this period. In 1872 an act was passed levying a direct property tax, a specific stock tax and a poll tax. Property was placed in two classes: tangibles and intangibles. The State Board

of Equalization at this time was directed to assess capital stock, franchises, telegraph, express and railroad companies.

The last major revision of the tax laws, previous to that of 1933, occurred in 1891. The Act of 1891 created the State Board of Tax Commissioners; this board had previously been known as the State Board of Equalization. The Governor of the State, Auditor of State, Secretary of State and two appointive members not of the same political party constituted the personnel of the new board. In 1907 the Governor was displaced by an appointive member. The composition of the board has remained the same since 1907.

The problems concerning taxation that have occupied the legislatures since 1872 are numerous but the most pertinent and pressing are those of just and equitable assessments, the small local taxing units, and the facility with which the intangible property escaped taxation. These problems, along with that of the individual who earns a large income but owns no property either tangible or intangible, constitute the principal problems in taxation today.

In 1919 an attempt was made, through the broadening of the powers of the State Board of Tax Commissioners, to equalize the burden of taxation. The board was given the power of review and reassessment as well as the control over tax levies and bond issues. The power over tax levies and bond issues was repealed shortly afterward but it was provided that on petition of ten taxpayers the tax levy or bond issue was subject to review by the State Board of Tax Commissioners. The Budget Law of 1921 provided that the taxing officials publish a budget setting forth all the contemplated expenditures. The right of ten taxpayers to appeal to the taxing officials and to the State Board of Tax Commissioners is provided in this act. This right has proved both a direct and indirect benefit to the taxpayers.

Taxation in Indiana from 1913 to 1933

Since 1913, numerous attempts have been made to supplement the revenues produced by the General Property Tax. The statute imposing the first inheritance tax was enacted during this year. This act has been amended many times and was finally rewritten in 1931. A store license law was enacted in 1929. This act placed a minimum tax of three dollars on a single store, the tax increasing as the

number of stores owned by any individual or company increases. In 1905 a license fee was placed on the owners of automobiles. The 1923 session of the legislature placed an excise on gasoline. These taxes have been increased from time to time. In 1931 the total of the gasoline excise and auto license fees amounted to $25,295,223.55. The Governor in 1933 called a special session of the legislature for the purpose of considering revenue measures that would permit the state and local units to continue the governmental services that previously had been undertaken. This session enacted five new laws: The Gross Income Tax Act of 1933, An Act Concerning Alcoholic Beverages, Taxation of Banks and Savings Banks Act of 1933, Building and Loan Associations Act of 1933, and the General Intangibles Act of 1933. Students of public finance, State Boards of Tax Commissioners, legislatures and public officials since the beginning of the twentieth century have been criticizing the methods used in collecting the tax revenue and pointing out the fact that great quantities of intangible wealth and income have been escaping taxation under the General Property Tax. The tax legislation in Indiana since 1913 has been composed largely of statutes intended to subject this form of wealth to its just share of taxes.

Services Administered by the State

The state in a democratic society attempts to provide for the citizens two distinct types of service. First, it is fundamental to the preservation of democracy itself that the citizens be intelligent. The state, providing for its own preservation, attempts to develop through such institutions as the schools, public health departments and social security departments, a contented, strong and intelligent citizenship. Secondly, the state wishes to guard the political and economic rights of its citizens. The attempt is made to administer these services in such a way as to stimulate the citizen to his best efforts in the matter of living. In the administration of these services, it becomes necessary to divide the state into separate districts and to delegate the administration of these services to local officials.

These subdivisions in Indiana are designated as counties, townships, cities and towns. The local units of government, once created, become a fixed geographical entity. There is a tendency

to associate the local government with the geographical area governed rather than with the citizenry. The local units of government were organized originally to accomodate the inhabitants of a particular area; since their organization, certain local units of government have acquired more inhabitants than the entire state had at its organization. At the time of the delegation of governmental powers to the local governmental units, the responsibility for financing this governmental activity was also delegated to them. The shifting of the population and the additional governmental activity along with the concentration of wealth have presented the serious problem of local governmental finance. The erection of school buildings, construction of highways, bridges, courthouses, sanitariums, jails, hospitals and other types of public improvements necessitated the expenditure of vast sums of capital. The Constitution of 1851 placed a bond limit of two per cent of the assessed valuation on all property of the units of government.

Evasion of Constitutional Debt Limit

The evasion of this constitutional provision was achieved by statute and by court interpretation. The State Supreme Court decided that each separate unit of government could bond property for two per cent of its assessed valuation. The State Constitution placed no limit on the number of local units of government; neither was the question presented to the convention as to the number of local units that could occupy the same territory at the same time. In order to raise the bond limitation new units of government were created for bonding or taxing purposes. These new units of government became known as taxing districts. The taxing district is superposed on the local units of government that exist at the time of its creation. There is no principle of law or equity established as to either the number of taxing districts that may be superposed on one definite area or the extent of territory that any one tax district may include. Bonded debt has been greatly increased because of these statutes and court decisions.

During the period from 1924 to 1933, inclusive, the ratio of total debt to assessed valuation increased constantly. The debt incurred by a municipal corporation remains constant during fluctuations in price level, while the assessed valuation has a tendency to follow such fluctuations. The ratios for the last three

years presented in Table 3 show a constant increase even though the total debt was decreasing about twenty-eight million dollars during this period. The increase in relative debt that accompanies a decrease in assessed valuations accentuates the financial stringency that local units of government experience during a fall in the price level. Private corporations are often refinanced during a period of falling prices. In this manner a reduction is realized in obligations as well as assets.

The average range of the total debt to assessed valuation ratios by counties for the years 1924 to 1933, inclusive, is .0124 to .0670. The highest ratio is 5.4 times that of the lowest. The ratios vary inversely with the per capita wealth. The highest ratio is 2.35 times as great as the maximum contemplated in the constitutional provision.

The increase in the school to civil debt ratio is the result of a more liberal support of education as well as a more rapid retirement of civil debt. The variation in the ratio is extreme, being 18.1 times as great in the highest as the lowest county.

The tendency toward concentration of population and wealth in urban areas explains a part of the variation of these ratios. The population statistics show twenty-three of the ninety-two counties attaining their maximum population in 1930; the other sixty-nine, at some time in their history, had a larger population than they had in 1930. There has been a tendency to bond the local units of government without much consideration of the future payment of these bonds. The local officials feel that their communities will grow and that in bonding their communities they are capitalizing their future growth.

Expenditures for Schools by State and Local Units of Government

In addition to capital outlay with the attending interest charges, there is the cost of operation of the entire governmental enterprise. The schools of the state claim the largest portion of the tax revenues of any single branch of government. Both the state and the local school units contribute to the support of the schools. The revenue used by the state, previous to the tax legislation enacted by the special session of the Indiana Legislature in 1933, was derived from the Congressional Township Fund, The

Public Permanent Common School Fund and from direct levies on the general property of the state. The local school units financed their share of the school cost by direct levies on the general property of the local units.

The Congressional Township Fund was accumulated by the sale of the sixteenth section of land in each congressional township. The Public Permanent Common School Fund was created by summing the Surplus Revenue Fund, The Bank Tax Fund, The Saline Land Fund, The County Seminary Fund, The Swamp Land Fund, The Sinking Fund and The Hydrophobia Fund. Certain additions have been made to the Public Permanent Common School Fund by the sale of State School Lands, Michigan Road Lands, Coroner's Find of Property and Estrays and Articles Adrift. Another lucrative source of revenue in recent years has been Veterinarian Board Excess Fees, Optometry Surplus Fees, Transient Merchants' Licenses, Exhibition Licenses, Fees, Fines and Forfeitures. The State Auditor is the custodian of these funds. The State Auditor apportions the funds among the various county auditors. The county auditors loan the money to the citizens of their respective counties, accepting as security first mortgages on the real estate held by the borrowers. Each county is charged five per cent on the total amount of money received from the State Auditor.

The state levy, until 1905, was added to the returns from the school funds and distributed to the local school units on the basis of school enumeration. After 1905 the levy was divided into two parts: one part was distributed on the basis of enumeration and the other on the basis of need. From 1905 until 1933 the portion distributed on the basis of need varied from 5.2 per cent to 45 per cent. The legislature of 1933 took the entire state levy of seven cents and provided that the revenue be distributed to the poorer school districts of the state on the basis of need. The state at first granted aid only for teachers' salaries but gradually these allowances were extended until at present aid is granted for all expenditures except capital outlay.

Expenditures for school purposes have grown rapidly in the state. In 1899 the legislature established a minimum school term of six months. This was later extended to eight months and permission given to those units so desiring to extend the term to any length desired. A compulsory attendance law was enacted in 1907. The same session passed a teachers' minimum wage law which was

further amended in 1920. During this period there was a marked tendency toward consolidation of the small rural schools. The consolidation movement caused the erection of many new school buildings. The building program was responsible for an enormous increase in capital outlay with the accompanying bonded debt. These unusual expenditures were being made or contracted during the period when population and wealth were becoming localized in certain sections of the state.

The Effect on Ability of Local Units to Support Government Caused by Increasing the Size of the Unit

The ratio of assessed valuation to total population represents the average per capita wealth for any particular unit of government. In sixty-four local units of government selected as representative of all the local units of government in Indiana, the per capita wealth was found to range from $8,393.55 to $356.32. The per capita wealth of the former is 23.55 times that of the latter. The mean per capita wealth of the ten year averages of the sixty-four units for the period 1924 to 1933, inclusive, was $1821.83. The standard deviation of the series is $1402.88. When the counties are used as the unit for computing the ratios, the range is from $4667.72 to $554.83. The range for local units was $8037.28 as compared to $4,112.89 for the counties. The greatest ratio for the counties is 8.41 times the lowest ratio. The greatest ten year average ratio for the years covered by the investigation was 7.35 times the lowest ten year average ratio. The standard deviation for the ten year averages of the counties was $558.37, while the mean was $1821.83. The coefficient of variation for the local units is 77 per cent as compared to 38 per cent for the counties.

The loss in per capita wealth during the period 1924 to 1933, inclusive, was more marked in the rural than in the urban areas.

The ratio of taxes gathered to population shows the average tax paid by the citizens of a given governmental unit. Because of the variation in assessed valuations, this ratio is sometimes considered a better index of taxpaying ability than per capita wealth. The mean per capita tax of the local units throughout the ten year period was $39.94 and the standard deviation was $18.79. The mean

of the ten year averages of the per capita tax of the counties is $38.25 and the standard deviation is $8.93. The coefficient of variation for the county averages is 23.35 per cent as compared to 47.05 per cent for the local units. The variation in per capita tax is much less than the variations in per capita wealth.

The greatest fluctuations in per capita tax, the same as the greatest loss in per capita wealth during the period, was found in the rural areas.

The ratio of taxes gathered to assessed valuation is an indication of effort. The range of these ratios for the local units is .034 as compared to .024 for the counties. The variation of this measure is less than the two mentioned previously. There is no reduction in effort during the last three years of the study. The variation is reduced, however, by using the county as a unit.

The ratio of general property tax levied for school purposes to general property tax levied for civil purposes expresses the school tax as a percentage of the civil tax. The ratios show less retrenchment in school than in civil expenditures during the last five years considered. It is also evident that the wealthier units use a smaller relative portion of the tax money for schools than the poorer units. The schools demand a fairly constant expenditure of tax moneys while the civil expenditures are likely to vary more widely under changing economic conditions.

The Gross Income Tax Act of 1933

The special session of the Indiana legislature called in 1933, realizing the extent of the variations in effort and ability of the local units to support government, attempted through the enactment of five new tax laws, to distribute the burden of taxation more equitably. The General Property Tax has been in constant use in Indiana since 1835. The fact that the General Property Tax has been used for a century would insure a rather extensive understanding of the operation of the tax. The General Property Tax has been used by every state in the Union and the practices of the various states have been exchanged freely. There is considerable reason to believe that the tax revenue gathered under this act is fairly representative of the taxpaying ability of the various local units of government.

The Gross Income, Intangibles, Inheritance and Excise Taxes

are levied and collected by the state. The General Property Tax is levied and collected by the state, counties, townships, cities, towns and various taxing districts. The state, by adopting minimum standards for all governmental enterprises of state interest and financing such enterprises by increasing the state levy on general property to supplement the revenue produced by the new taxes, could practically eliminate the variations in the General Property Tax. The local units of government could exceed such standards, at their own discretion. These standards could be established for civil government as well as for the operation and maintenance of schools.

The Gross Income Tax Act of 1933 places a tax upon the gross receipts of individuals, corporations, and all other legal entities. The act was intended to discover sources of revenue other than general property. The act could broaden the tax base by adding new taxpayers to the tax duplicates or by working a relative shift in the amounts paid by the old taxpayers. The General Property Tax and the Poll Tax had placed every male twenty-one years of age or over on the tax duplicates. Every female who owned property was also a taxpayer. There is, however, the possibility that a small taxpayer under the General Property Tax will become a large taxpayer under one of the new acts. The counties are the smallest governmental units for which data are obtainable on the collection of all the taxes. There is the same possibility for a shift in the relative amounts paid by counties as for the individuals. The correlation between General Property Tax returns and Gross Income Tax returns by counties for the year 1933-34 was found to be $.960 \pm .006$. Perfect correlation would indicate that in so far as the counties are concerned, there was no shifting in the relative contributions under the two taxes. While this correlation is not perfect, there is evidence that income and property are closely related and that the two taxes bear with about equal severity on the counties.

The General Intangibles Tax Act of 1933

It was the opinion of students of taxation, public officials and the legislature that intangible property in Indiana was escaping taxation. Through the General Intangibles Tax Act of 1933, the legislature hoped to place this type of property on the tax duplicates. The Intangibles Act could broaden the tax base in the same manner as

The Gross Income Act. The returns from The Intangibles Act of 1933 for the year 1933-34 when correlated with the returns from The General Property Act for the year 1933-34 by counties gives a correlation of .966 ± .005. The correlation with the returns from The Gross Income Act for the same year by counties was found to be .968 ± .005. While these correlations are not perfect, where the returns from The General Property Tax are known either The Gross Income or Intangibles Tax returns could be predicted with a rather high degree of reliability by using the equation of average relationship. Tax receipts from intangible property and gross income bear a very close relationship to revenues from The General Property Tax.

The Inheritance Tax Act of 1931

The Inheritance Tax is imposed upon the inheritance of property by direct heirs as well as collateral relatives and strangers. The unusual feature of this act is the progressive rates. The rates are graduated with the amount of the inheritance as well as with the degree of remoteness of the heir. The correlation of The Inheritance Tax returns for the year 1933-34 with the returns from The General Property Tax for the same year was found to be .851 ± .020. The correlation with The Intangibles Tax returns for the same year was found to be .897 ± .015. The correlation with The Gross Income Tax returns for the same year was found to be .955 ± .007. The correlation with The Excise Tax returns for the same year was found to be .830 ± .022. These correlations are quite low for economic data. There is positive indication that the wealthy counties are paying relatively more of this tax than the poorer counties.

The Alcoholic Beverages Act of 1933

The Alcoholic Beverages Act of 1933 regulates and controls the manufacture, bottling, possession, transportation, importation, sale and delivery of alcoholic beverages. The Alcoholic Beverages Act was placed in the statutes more for the regulation of the merchandising of alcoholic beverages than as an attempt at equalizing the tax burden. The correlation of the returns from The Alcoholic Beverages Act for the year 1933-34 with the returns from The

General Property Tax for the same year gives a correlation coefficient of .996 ± .001. The correlation of the returns from The Alcoholic Beverages Act with the returns from The Intangibles Act for the same year gives a correlation coefficient of .963 ± .006. The correlation of the returns from The Alcoholic Beverages Act with the returns from The Inheritance Act for the same year gives a correlation coefficient of .830 ± .002. The correlation of the returns from The Alcoholic Beverages Act with the returns from The Gross Income Act for the same year gives a correlation coefficient of .953 ± .007. With the exception of The Inheritance Tax returns, these correlation coefficients are rather high. It is evident that in so far as counties are concerned The General Property Tax, The Gross Income Tax, The Alcoholic Beverages Tax and The Intangibles Tax bear with about equal severity on both the rich and the poor. The Inheritance Tax, perhaps because of the graduated rates, bears with greater severity on the rich than on the poor counties.

The State of Indiana makes practically no attempt to finance the local civil governmental units. A small portion of the gasoline excise is returned to the local units of government for road and street repair. Considerable revenue is distributed to the local units for school purposes. The revenue distributed by the state for school purposes for the year 1933-34 when correlated with The General Property Tax revenue for the same year gives a correlation coefficient of .957 ± .005. It is therefore apparent that the state distributes funds to the local school units approximately in proportion to the returns from The General Property Tax.

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